

FINANCIAL TIMES

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D 8523 B

Austria: election
heightens
uncertainty, Page 16

Austria	Sch. 20	Indonesia	Rp 3100	Philippines	Ps 20
Belgium	Bfr 3.50	Israel	NS 3.50	Portugal	Pt 100
Canada	C\$1.00	Japan	¥ 150	S. Africa	Rand 6.00
Denmark	Dkr 8.00	USA	\$ 1.00	Spain	Pes 166.67
France	Ffr 6.50	UK	£ 1.00	Sweden	Skr 10.00
Germany	DM 2.00	West Germany	DM 2.00	Switzerland	Sfr 2.00
Greece	Dr 200	Yugoslavia	Din 100	Other	
Italy	Lira 200				
Netherlands	Gld 1.00				
New Zealand	NZ\$ 1.00				
Spain	Pes 166.67				
Sweden	Skr 10.00				
Switzerland	Sfr 2.00				
UK	£ 1.00				
USA	\$ 1.00				

Pressure on Aquino after new murder

A veteran Philippines politician and known anti-Communist was assassinated and a large department store was bombed in continuing violence that has rocked Manila since the murder last week of Mr. Rolando Olalia, a militant labour leader.

President Corason Aquino adopted a tougher stance towards Communist rebels in what appeared to be a significant change of policy. She ordered the chief government negotiator in the peace talks to 'produce a ceasefire within a month.'

She has been under pressure from hardliners in the armed forces to set a deadline and prevent the rebels from consolidating their forces.

Renault case reward
French Interior Minister Charles Pasqua called on the public to help police find the killers of murdered Renault car chief Georges Besse. Officials announced a Ffr 1m (\$180,000) reward. Page 3

UK loses M15 case
Britain lost its argument in the New South Wales Appeal Court against an order that it must produce confidential documents in its attempt to ban the memoirs of former M15 counter-espionage agent Peter Wright. Pages 4 and 10

Private jails plan
The French Government approved controversial draft legislation to launch the building of private prisons, despite criticism by President Mitterrand. They are designed to ease chronic overcrowding in the state prison system. Page 2

Anger at Moro film
Italy's dominant Christian Democrat Party is angry at the film treatment of one of the most painful episodes in its recent history, the kidnapping and murder of Aldo Moro, the country's former premier. Page 2

Nato port's guests
Three warships of the Soviet Black Sea fleet and their commander-in-chief arrived in the Greek port of Piraeus for a four-day visit, believed to be their first to a Nato country.

Mafia rulers guilty
Eight men were convicted in New York of masterminding the operations of the Mafia there and found guilty of charges ranging from murder to extortion. They will be sentenced in January.

Afghan deadlock
United Nations-sponsored Afghan peace talks are deadlocked on the timing for withdrawal of Soviet troops, a Pakistani foreign ministry spokesman said in Islamabad.

Pope in Bangladesh
The Pope, beginning a six-nation tour in Bangladesh, made an appeal for global peace and economic development, saying man's very survival was under threat. He will travel to Singapore, Fiji, New Zealand, Australia and the Seychelles.

King's visit off
King Hassan of Morocco cancelled a visit to the European Parliament next month because the assembly could not give assurances that there would be no demonstrations against him either inside or outside the Strasbourg building.

Grenade attack
Two rocket-propelled grenades hit the fifth floor of the Beirut building housing Lebanon's Central Bank, injuring at least one person.

Bugatti fetches \$8.1m
American pizza millionaire Thomas Monaghan, said he had bought a 1981 Bugatti for \$8.1m, believed to be the highest price ever paid for a car.

Ferruzzi set for British Sugar deal

FERRUZZI, Italian food and agricultural group, is expected to sign a conditional agreement within the next two days to acquire a 70 per cent stake in British Sugar, the UK sugar beet monopoly. Page 18

UK Industry Secretary Paul Channon warned he would have power under the Financial Services Act to withdraw securities dealing licences for Japanese firms in London if reciprocal access were not granted to British firms in Japan. Page 18

WICKES, West Coast building products and retailing group, is expected to drop its 51.7m agreed bid for Lear Siegler, California conglomerate, because it is having problems raising bank financing. Page 19

TOKYO: Late buying lifted prices marginally after they fell following the sharp overnight decline on Wall Street. The Nikkei average ended 10.28 higher at 17,283.81. Page 40

FIATALLIS and Hitachi announced a joint venture company to produce and market a new line of hydraulic excavators. Fiat will own 49 per cent and Hitachi 51 per cent. Page 5

TOYOTA and Mazda confirmed that they have temporarily suspended car production in Malaysia because of the impact of the yen's appreciation and striking sales. Page 5

ST GORAIN, French glass and packaging group and standard-bearer of the government's privatisation programme, increased its profit forecast to about Ffr 1.9bn (\$228m). Page 19

M & G, biggest UK unit trust group, had its offer for sale of 28m shares fully subscribed. Most applications for the £24m (\$103.6m) offer will be fully met, said merchant bankers Kleinwort Benson. Page 26

KORALIT, Prices soared by 25 per cent amid reports that the world's largest producers, Zaire and Zambia, had ended a price war and signed a price stabilisation pact. Prices jumped from £4.50 to £6 a pound in frenzied buying in London, New York and Continental Europe. Page 32

WALL STREET: The Dow Jones industrial average closed 9.43 up at 1,828.63. Page 40

LONDON: After falling sharply on worries about Wall Street, prices steadied towards the close. The FT-SE 100 index closed 1.2 lower at 1,604.3 and the FT Ordinary index lost 12.9 to 1,258.8. Page 40

GOLD rose \$2 to \$393.25 on the London bullion market. It also rose in Zurich to \$393.25 from \$390.43. Page 32

DOLLAR closed in New York at DM 2.0055; Sfr 1.6705; Ffr 5.5675 and ¥162.35 after falling in London to DM 2.0075 (DM 2.0125); Ffr 5.5750 (Ffr 5.5900); Sfr 1.6705 (Sfr 1.6740); and ¥162.40 (¥162.70). On Bank of England figures the dollar's index fell to 110.9 from 111.2. Page 33

STERLING closed in New York at \$1.4195 (\$1.4235). It also fell to DM 2.0075 (DM 2.0090); Ffr 5.5675 (Ffr 5.5800); Sfr 1.6705 (Sfr 1.6725); and to ¥238.25 (¥231.50). The pound's exchange rate index fell 0.2 to 68.0. Page 33

ROLLS-ROYCE of the UK and General Electric of the US are ending their revenue-sharing pact on the joint development and production of the Rolls-RB-211-535E4 and GE CF6-80C turbo-fan jet engines because of increasing competition between the two companies. Page 18

Moscow legalises private enterprise in service sector

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION yesterday legalised 29 different types of private enterprise in the most significant shift away from state control of the service sector of the economy since the Second World War.

The Soviet parliament meeting in Moscow approved a law effective from next May under which private activities carried on by individuals, including driving a taxi, house and car repair, tailoring and furniture making as well as most other forms of repair and servicing work are legalised.

The state is estimated to provide only half the demand for services in the Soviet Union, forcing people either to do without them or to rely on the black market.

Hiring of labour is not allowed, but otherwise the Government has evidently decided that legislation and expansion of the private sector is necessary and poses no threat to public ownership.

Mr Ivan Gladky, chairman of the State Committee for Labour and Social Issues, introducing the law yesterday said that it was in keeping with socialist principles. He

said the state had 'not been meeting consumer demand for goods and services fully.'

Mr Gladky said this was because of lack of capital investment in production of consumer goods and services, combined with lack of flexibility by the state organisations meant to provide them. He said individuals had supplemented the efforts of the state but there was no law regulating their activities.

The scope of the draft law, which comes into effect from May 1 1987, is wider than expected. In addition the state news agency Tass says that the list of 29 activities now permitted is not exhaustive and can be enlarged by local authorities where necessary. Permission to engage in private activities will also be in the hands of the local councils or Soviets.

The law also provides for a progressive tax on private earnings. At present the highest Soviet tax rate is 13 per cent, but there is no systematic progressive income tax.

Mr Gladky said there had been extensive discussion of the new law and that the Soviet Union was

drawing on the experience of other socialist countries. He made no specific mention of Hungary and China, which have led experiments in free enterprise.

The difficulty facing the Government is to draw the dividing line between state and private activities. Economists advocating the new law have said that the legalisation of some private activities must be accompanied by a clamp on black marketing and speculation.

An important provision in the new law is that it will allow people, as in Hungary, to hold more than one job. This means that somebody working in a factory is also 'employed' to individual labour activity in their time off.

The law is unlikely to have an immediate impact in the Soviet Union because many of the activities now legalised already exist. Soviet specialists estimate that between 1m and 20m Soviets out of a total workforce of 129m are engaged in some form of private and hitherto illegal work, though almost invariably as a second job.

IMF ready to free loan package for Mexico

BY PETER MONTAGNON, EUROMARKET CORRESPONDENT, IN LONDON

THE International Monetary Fund yesterday announced that it was ready to implement the SDR LAM (\$1.6bn) loan package for Mexico agreed in the summer.

An announcement ends weeks of uncertainty in the international banking community over whether creditors would endorse the latest multi-billion dollar debt rescue package for Mexico.

Yesterday, the Citibank-led committee of leading creditor banks confirmed to Mr Jacques de Larosiere, IMF managing director, that subscriptions to their own loan package for Mexico had reached 90 per cent of the \$9bn total required.

The IMF had always regarded this level as critical if it were to activate its own lending programme which is central to the international rescue effort for Mexico.

The IMF decision came just as Mr Gustavo Petricoli, Mexico's Finance Minister, was beginning a major speech to the Mexican con-

gress on the country's budget plans for 1987. It will come as a political boost both to the de la Madrid administration and to Mr James Baker, US Treasury Secretary, who with Mr Paul Volcker, chairman of the Federal Reserve Board, had actively promoted the latest Mexican debt rescue scheme.

An immediate consequence of the IMF announcement is that Mexico, whose finances have been squeezed by the plunging oil price, will have access to fresh sources of foreign exchange, not only from the IMF itself but also from commercial banks and governments which raised a \$1.5bn bridging loan for the country in August.

Only \$500m of this loan has been drawn and the IMF announcement clears the main obstacle for drawings of the balance.

In anticipation of the IMF move, the World Bank announced on Tuesday night that it was also prepared to release \$300m of the \$500m

trade development loan it has promised to Mexico as part of the package.

However, Mexico will only be able to draw the \$500m from commercial banks once the remaining 10 per cent of subscriptions have been secured. This could still take several weeks as there are due to come from smaller creditor banks, which are among the most reluctant to contribute fresh money.

Given the tortuous negotiations undertaken by Mexico to secure the loan, many bankers say that it still cannot be regarded as signalling an unqualified success for the so-called Baker Plan for easing the debt crisis launched by the Treasury Secretary in Seoul last year.

The commercial bank package also includes a commitment to lend an additional \$1.7bn if Mexican growth falters or oil prices collapse again, as well as easier terms on more than \$50bn in existing debt.

Second case of insider trading exposed in UK

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

BRITAIN'S insider trading scandal deepened yesterday with an announcement from British & Commonwealth Shipping, the transport and financial services group, that an employee had resigned after he was discovered buying shares in a company which B&C was about to take over.

The employee, who was not identified, bought shares in Steel Brothers last Friday only hours before B&C announced an agreed bid for the 55 per cent of the company it did not own. He placed the order through Scrimgeour Vickers, the stockbroking firm which uncovered illicit share dealing by Mr Geoffrey Collier, the Morgan Grenfell securities director who had resigned only four days before.

The evidence has been passed to the London Stock Exchange, which is expected to report the case today to the Department of Trade and Industry (DTI). It will be up to DTI to decide whether criminal proceedings should be initiated under the insider trading laws.

B&C said the employee was 'working in a capacity giving access to confidential information.' He is understood to be in his 50s and to have held a clerical job where he saw the documents about B&C's takeover plans.

B&C last night it believed this to be an isolated case and that the employee was not connected with its Gartmore Investment Management arm.

The man was a client of Scrimgeour Vickers. According to the stockbroking firm, he called shortly before 1pm to buy 2,500 Steel Brothers shares at 565p each, saying that they were for another Scrimgeour's client. But Scrimgeour could find no record of this other client and checked back with the caller, who was unable to provide further details.

At 4.15pm the same afternoon, B&C announced its bid for Steel Brothers at 630p a share. Scrimgeour then established that the caller was an employee of B&C and cancelled the trade. Had it got through, the employee would have made a profit, before costs, of about £275.

Mr Richard Allen, compliance officer at Scrimgeour, said the Collier and B&C cases were the only two occasions when the firm had reported suspicions of insider dealing to the Stock Exchange since it was outlawed six years ago. The incidents showed that the firm's system of checks and controls had worked, he claimed.

Mr Fred Pettit, chief executive of Scrimgeour's said the firm had decided to make an announcement about the latest case 'to prevent ill-informed conjecture.' He declined, however, to comment on the Collier case in which his firm is also involved, claiming that the DTI has placed 'an embargo' on it while the inquiry by its two inspectors goes on.

Italian bankers confront political reality

By John Wyles in Rome

AFTER THREE and a half years as president of the Banco di Napoli, Italy's seventh largest bank, Professor Luigi Coccioli's job is in jeopardy. 'I accepted the rules of the game when I arrived, and I shall accept them when I leave,' he says with the resigned air of a French aristocrat facing the guillotine.

If Prof Coccioli fails to secure a second term, his dismissal will not be any reflection on his stewardship of the bank. An experienced banker with a good record, he was put into the job thanks to his connections with the Social Democratic Party. Mr Franco Nicolazzi, the party's secretary, just may have decided he would now prefer someone else at the Banco di Napoli.

Unless there is an 11th-hour squabble in an interministerial committee which will finally decide tomorrow whether Prof Coccioli will be riding the turbulent air with a majority of the 76 presidents of state-owned banks and savings banks whose contracted terms of office have expired two, and in some cases, 10 years ago.

The moment of decision has arrived because the five parties which make up the Italian coalition government have made what is for them a exceptional effort to redistribute the spoils of power within the banking sector.

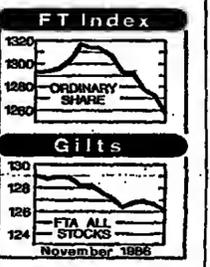
The exercise, which ends a three-year deadlock, has thrown into stark relief the inter-party jealousies and rivalries which are the leit-motif of Italian politics. It has illustrated how those rivalries feed on the patronage offered by an extensive public sector without creating real confidence that appointments are based on merit.

Thus, final banking appointments will apparently be determined much more by power struggles between and within parties than by judgments of the commercial and managerial requirements of the banks concerned.

This last assertion is freely acknowledged by those who have been intimately involved in the negotiations over the last few weeks, with the possible exception of the Bank of Italy which is keeping its opinions to itself.

'I think it has a negative effect on the banks themselves,' says Senator Emilio Robbi, a Christian Democrat who has been heavily involved in a process which he regards as intricate in a multi-party coalition system.

He argues that all governments use their powers of appointment to



London markets weaken

By Janet Bush and Terry Byatt in London and Rueda del Caram in New York

UK FINANCIAL markets had a troubled day yesterday as they reacted nervously to a statement by Mrs Margaret Thatcher, the Prime Minister, ruling out full membership of the European Monetary System at least until after the US general election and the continuing repercussions of the Boskey insider trading investigations.

Sterling weakened sharply during the morning in the wake of the interview with Mrs Thatcher published yesterday by the Financial Times and triggered heavy mark-downs of UK Government bonds. The pound later recovered some of its composure but gilt-edged prices ended as much as 1 1/4 points lower.

The London stock market was jolted by the heavy overnight fall on Wall Street and by the realisation that the Boskey investigations could involve London as well as New York. Equities fell sharply, losing 20 points on the FT index at one point before rallying towards the close. The FT-SE 100 ended 13.2 down at 1804.3 and the FT Ordinary index 12.8 lower at 1258.8.

Continued on Page 18
Money markets, Page 32;
Sharemarket reports, Page 40

Kodak withdraws from S.Africa

BY JIM JONES IN JOHANNESBURG

EASTMAN KODAK of the US, the world's largest manufacturer of photographic products, said yesterday that it is to stop all sales of its products in South Africa by April next year and will sell the entire assets of its South African operations, which employ about 500 people.

The action marks the first unequivocal withdrawal from South Africa by a major US company. Under the terms of the withdrawal, no Kodak unit anywhere in the world will be permitted to supply products to South Africa after April 30, and the company will turn its South African assets over to the liquidator no later than the end of June.

The company said that the decision, which came after long and careful consideration, was prompted by the continuing depression in the South African economy.

'Our South African business has been affected negatively by weakness in the South African economy, and we have no doubt that the system of apartheid has played a major role in the economy's underperformance,' Mr Colby Chandler, Kodak's chairman said yesterday.

'We had hoped that by now the signs in South Africa concerning

plans to dismantle statutory apartheid would be clear. Unfortunately, we cannot see with any certainty a time when South Africa will be free from apartheid,' Mr Chandler added.

Kodak is the latest in a series of major US companies to announce withdrawals from South Africa in protest against apartheid. Last month General Motors (GM), the world's largest motor manufacturer, IBM, the biggest mainframe computer maker, Honeywell, another computer manufacturer, and Warner Communications announced plans to divest their South African interests.

In the past 18 months over 70 other US companies, including Coca-Cola, Procter and Gamble and Baxter Travenol Laboratories have pulled out or said they plan to leave South Africa.

Kodak, headquartered in Rochester, New York, said that its South Africa company operated mainly sales, service and distribution and some photo-processing and had no manufacturing operations. The local company is based in Johannesburg and has outlets in Cape Town, Durban, Port Elizabeth and Bloemfontein.

Its sales account for less than 1 per cent of the company's worldwide annual sales of \$10bn.

He added that no one had yet shown interest in buying the operations and that he would be 'very surprised' if local management were to take it over.

Mr Hong Kong, in confirming its decision earlier this month to ban new contracts for imports of South African iron and steel, said yesterday that it would call on its major financial, industrial and commercial organisations for a voluntary ban on new investment and bank loans to the country.

In Los Angeles on Tuesday Columbia Pictures said that it would not allow its films to be shown in segregated cinemas in South Africa after May 1 next year. Mr David Puttnam, Columbia's new managing director, acknowledged that some

EUROPEAN NEWS

Film about Moro's murder makes Christian Democrats see red

BY OUR ROME CORRESPONDENT

ITALY'S dominant Christian Democrat party has been seized by collective outrage this week at the film treatment of one of the most painful episodes in its recent history—the kidnapping and murder of former Prime Minister Aldo Moro by Red Brigades terrorists.

Party leaders have branded the newly-released "The Moro Case" as "ignoble and

infamous," for its depiction of Mr Moro's 55 days in captivity and the then minority Christian Democrat Government's refusal to negotiate with his kidnapers.

Directed by Giuseppe Ferrara, the film's allegedly unsympathetic treatment of the Government's handling of the affair threatens to open new wounds within a party which is still struggling to re-

establish its political authority. Having ceded the premiership to a Socialist, Mr Bettino Craxi, more than three years ago, the Christian Democrats are expected to take over the leadership of the Government next spring and hoping for a political come-back in the 1988 general election.

Their blistering reaction to

the film is bound to enlarge its potential audience and, therefore, possibly magnify its political damage.

The leadership's sensitivity is said to owe much to the fact that Mr Moro, who was president of the party at the time of his death, was the architect of the controversial "historic compromise" during which a minority Christian

Democrat Government was sustained in office by Communist party support.

Since an alliance with the Communists either by the Socialists or the Christian Democrats is still regarded as the only alternative to the present five-party coalition, the film's treatment is seen by many as contemporarily relevant.

According to its critics, the film paints the Red Brigades terrorists too sympathetically and then Prime Minister, Mr Giulio Andreotti, as too heartless. Its account of the Italian secret services under the control of the P2 masonic lodge which was violently opposed to the "historic compromise" is accurate, however.

Discord looms over German scheme for extra N-plant safety

BY DAVID MARSH IN BONN

POTENTIAL discord is brewing between the West German Government and big electricity utilities over plans for additional safety measures to be built into West German nuclear power stations in the wake of the Chernobyl reactor disaster.

Mr Walter Wallmann, Environment and Reactor Safety Minister, has proclaimed that German nuclear plants in future will have to be fitted with "safety valves" designed to lower releases of radioactivity in the extremely unlikely event of a melt-down of reactor cores.

The cost of the new measure, one of a number of extra safety steps under review for West German nuclear power stations, is likely to be very small in relation to the overall value of a new atomic plant.

However, West German nuclear industry officials doubt whether the "safety valves" move is technically necessary. They see it as a political ploy to reassure a highly sensitive public that the Government is going to extreme efforts to make German reactors — already hailed by Mr Wallmann as among the safest in the world — even more secure.

In this case, some officials say, utilities may try to make the Government pay for the cost of adapting power stations.

The safety valve would be built into the thick concrete safety structure around pressurised water reactors. It would enable air and gases to be released from within the reactor "containment" building. This would dampen the high pressure which would build up in the days following a core melt-down.

The idea would be to remove the threat that the safety structure could burst under internal pressure, leading to catastrophic releases of radioactivity.

The safety valve and associated filter to control release of radioactivity into the atmosphere has already been fitted to Germany's newest pressurised water reactor (PWR) at Brokdorf in Schleswig-Holstein. This was connected to the grid last month after years of fierce protests from the anti-nuclear movement.

Blood and urine samples will be taken from a group of Basle residents to determine whether any damage to public health was caused after the Sandoz chemical plant fire. Local authorities, however, said medical experts did not expect there to be any lingering traces of the gas and poisons which were spilled after the fire.

Immediately after the spill, about 20 people sought medical help at hospitals in and around Basle suffering from acute conjunctivitis after inhaling smoke and gas.

Compensation claims for the thousands of millions of francs, Mr Alphon Egli, the Swiss President, said yesterday. He said that he hoped for a speedy settlement of claims from the affected countries along the Rhine.

But in Cologne, West Germany, Sandoz insurers said it might take years until all claims were settled and that the company's maximum coverage was just \$37.500m (\$360m).

The official Reactor Safety Commission is studying the safety valve system and other security measures. These include separate steps for the country's boiling water reactor (BWR) power stations to prevent the explosive mixing of hydrogen and oxygen in the case of a reactor incident.

A formal decision to bring in the new measures is not likely to be made until after the January general elections, but the reactor industry is already reckoning with tougher safety guidelines.

Partly because reactor containment structures already have small holes in them — bored to carry out tests on the strength of the structure — the cost of incorporating safety valves is thought to be only about DM 28m (\$10m). This compares with the estimated cost of a new 1,300 MW plant of at least DM 5bn.

None the less, "the question is whether these measures are politically or technically necessary," said one nuclear official.

Ankara asked to aid companies

BY DAVID BARCHARD IN ANKARA

LEADING Turkish businessmen are pressing the Government to help companies in trouble, but Prime Minister Turgut Ozal continues to oppose this idea of emergency state support.

Several medium-sized Turkish companies and one or two larger groups are known to be facing serious cash-flow problems. The textile sector, the most competitive sub-sector of Turkish manufacturing, has been particularly badly hit.

Mr Halit Narin, the head of the Turkish Employers' Confederation, whose property was briefly the subject of a sequestration order by a bank last month, blames the Government's policy of keeping interest rates far above inflation in order to help banks extricate themselves from a mass of bad debts.

"Inflation is around 30 per cent, but rates to borrowers are more than 80 per cent," says Mr Narin. "The Government can solve the problems of Turkish industry easily by bringing down the cost of funds nearer to the inflation rate."

Interest rates were lowered by an average of 4 per cent last month, but the International Monetary Fund is believed to have cautioned the Government last month that further reductions at present would be risky.

Mr Narin would like to see low interest rates for certain industrial purposes — the purchase of raw materials, for example. He says the Government is placing the interests of the banking system, which he compares with "man-eating tigers

thirsty for human blood" above those of the manufacturing sector.

Mr Nuri Akin, owner of Akın Textiles, one of Turkey's most internationally competitive groups, says that the Turkish textile sector has been hard hit by the loss of orders from the Middle East. "This is more of a problem than the banks foreclosing," he says, pointing out that many Turkish textile groups rely on promissory notes rather than bank loans for their short-term financing needs.

In practice, the Government has tried to keep intact both companies and banks, despite the strains of the restructuring of the Turkish economy in the 1980s. Some industrialists claim that this has left efficient industrialists paying unduly high interest rates to the banks

Swedes agree technology deal with Japanese

By Sara Webb in Stockholm

AGA, the Swedish industrial gas company, and Nippon Sanso, the Japanese specialty gas company, have agreed to exchange technology in the fields of specialty gases and pulp bleaching.

According to the agreement, AGA will use technology developed by Nippon Sanso for the production and use of highly purified gases and related equipment while the Japanese company has an option to use Ag's pulp bleaching techniques in future.

The two companies have still to finalise the arrangements which would allow Nippon Sanso to use Ag's techniques for pulp bleaching in the Japanese market.

Warsaw drops reform plans after criticisms

BY CHRISTOPHER BOBINSKI IN WARSAW

A STORM of criticism has forced the Polish Government to drop many of its proposed legislative changes aimed at strengthening its hand in dealing with companies and their elected workers' co-management councils as well as local government.

However, Mr Zbigniew Messner, the Prime Minister, has rejected any suggestion that a government reshuffle would follow the collapse of the initiative.

Mr Franciszek Kubiszek, the deputy chairman of the planning commission responsible for reform policies, is the most exposed as well as Mr Manfred Gorywoda, the head of the Government's top planning body.

In recent weeks, the changes have come under fire from parliamentary deputies as well as freely elected workers' councils activists.

Supporters of decentralising changes in the party, whose leader, Gen Wojciech Jaruzelski, is openly committed to the reforms, have been working behind the scenes to block the government move.

On Monday, members of the Economic Reform Committee, which was only called into session after prominent members threatened to resign, criticised the Government for opening the way to re-centralisation and further monopolisation of the economy.

The commission set up in 1981 drew up the reform



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OFFICE EFFICIENCY IN A NEW LIGHT.

French foreign trade back into balance

BY GEORGE GRAHAM IN PARIS

FRANCE'S FOREIGN trade moved back into balance last month, with an improved performance in the industrial goods sector. The external trade deficit was FFfr 100m (£10.6m) after seasonal adjustments, bringing the deficit for the first 10 months to FFfr 2bn (£212m). In the same period of 1985 the deficit was FFfr 20.4bn.

The failure of the external balance to show a solid improvement, despite the reduction in the country's energy deficit due to lower oil prices, continues to place a brake on the Government's desire to dismantle the mechanisms of foreign exchange controls.

Mr Edouard Balladur, the Finance Minister, who announced a further relaxation of exchange controls on Monday, said he would decide on the final abolition of controls when the commercial balance was "durably restored."

French residents are still banned from holding foreign currency accounts, and leading in French francs to non-residents, though now permitted in some circumstances, is still heavily controlled.

The French industrial trade surplus, whose erosion over re-

cent months has been worrying the Government, rose in October to FFfr 1.8bn.

Rapidly rising domestic consumption has increased imports of consumer durable goods, while major exporters in the construction and civil engineering sectors have been hurt by the sharp drop in orders from oil-producing nations.

Senior Finance Ministry officials are particularly concerned about the development of trade with West Germany, since the continuation of inflation about 2 percentage points above the West German rate threatens to undo the effect on exporters of the devaluation of the franc within the European Monetary System earlier this year.

Government advisers, however, see no justification for a further devaluation of the franc against the D-mark, and prefer to point to the evolution of unit labour costs, which are now rising more slowly in France than in West Germany.

The Government, therefore, has been keen to encourage moderation in pay settlements for next year. Mr Balladur earlier this week called for wages to rise more slowly in 1987 than this year, when they are expected to have climbed by around 4.2 per cent.

Government backs plan to build private prisons

BY PAUL BETTS IN PARIS

CONTRIVERSIAL draft legislation for a FFfr 4.5bn (£480m) programme to build private prisons in France to ease the chronic overcrowding in the state system was approved yesterday by the Government.

However, President Francois Mitterrand told yesterday's cabinet meeting that he opposed the scheme which he claimed would transfer the sovereignty of the state to the private sector in a crucial field.

He also expressed his hostility last week to another government bill involving changes in the citizenship code. Mr Mitterrand yesterday quoted Alexis de Tocqueville, the 19th century liberal thinker, saying: "If it is the government's role to ensure the security of society, it is the business of entrepreneurs to earn money."

Only the Constitutional Council, however, now has the power to force the government to amend its private prisons bill.

Mr Alain Chalandon, the Justice Minister, defended the project warning that there was already serious overcrowding in the country's prisons which would become worse if immediate steps were not taken to build more prisons. There are more than 40,000 inmates in the French prison system which

theoretically has room to accommodate only 32,500.

The Government's programme involves providing 15,000 new places in private prisons between now and 1990. Mr Chalandon hopes the first prisons will be completed in 1988, and the Government will be seeking bids from private construction and services groups to build and operate them.

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Public urged to help find Besse's killers

BY PAUL BETTS IN PARIS

MR CHARLES PASQUA, the French Interior Minister, yesterday urged French citizens "to collaborate" with the police to combat terrorism. He also announced after a cabinet meeting that the Government would offer a reward of FFr 1m (£106,000) for information helping to lead to the arrest of the terrorists involved in the killing this week of Mr Georges Besse, the chairman of Renault, the state car group.

The Government will also post throughout the country reward notices with photographs of suspected members of the extreme left Action Directe terrorist movement, which claimed responsibility on Tuesday for the murder of Mr Besse.

It is the second time in barely two months that the Government has offered a reward for public help in fighting terrorism. Last September, notices were stuck on walls throughout the country to help find the terrorist suspects behind the wave of bombings which killed more than 10 people and injured another 200 in Paris.

Mr Pasqua said he wanted

Industrial states to boost job creation

By George Graham in Paris

LABOUR MINISTERS from the Western industrialised nations agreed yesterday on a package of policies aimed at raising economic growth and helping those hardest hit by unemployment back into the workforce.

Ministers meeting at the Organisation for Economic Co-operation and Development in Paris said unemployment remained the weak link in the economic recovery. They called for increased rates of job creation, rather than counter-productive measures to preserve existing jobs, as the best way to lower unemployment.

Social security systems must be changed, the ministers decided, so that the worst affected groups — the long-term unemployed and the young, in particular — can be reintegrated into the labour market.

Mr Ruairi Quinn, Irish Labour Minister and president of the meeting, said that what was needed was a "transformation of a system of passive income maintenance into a system of positive job creation" through measures to link work experience to welfare state payments.

"I do not think anyone who is currently unemployed should be asked to wait until the level of economic growth is enough to ensure that they are taken back into the labour market," he said.

"It is not simply a question of resources. It is the recognition that the human condition requires activity." Ministers also agreed to promote more flexible patterns of working, including part-time and temporary work and in some countries early retirement.

Mr William Brock, the US Labour Secretary, said that changes in population meant the US would suffer labour shortages in a few years. "In the US we have now eliminated mandatory retirement laws, because we are going to need manpower."

A decision to set up a working party of distinguished experts to examine the effects of new technology on employment was also taken by the ministers, who were described by Mr Quinn as "wiser and more mature" than at the OECD meeting two and a half years ago.

EEC deadline looms on aid to shipbuilders

BY WILLIAM DAWKINS IN BRUSSELS

EEC INDUSTRY officials have been given four weeks to hammer out an agreement on the future shape of subsidies to Europe's ailing shipbuilders. This follows the failure of a meeting of industry ministers in Brussels earlier this week to reach a final accord on European Commission proposals for a more comprehensive five-year regime to replace the aid rules that run out at the end of this year.

Officials are optimistic that an accord can be reached, but they face a tough and complex debate if they are to make it possible for the 12 member states to agree at the industry ministers' next meeting on December 22.

All but three member states, the most vociferous being Italy, support the Commission's proposal to set a common subsidy limit of 26 per cent. This would cover all types of industry assistance, rather than just direct aid as under the present system, where individual states work out their separate aid levels with the Commission.

Yet there are wide differences within the Community on some important details of the plan and national officials are under intense political pressure to find a way round them quickly. All member states are keen to avoid the uncomfortable prospect of the present shipbuilding directive running out without a new one to take its place. If that happened, the Commission has the power to declare all shipbuilding aid illegal unless every individual assistance



Thousands of shipyard workers' jobs are involved in the arguments over future subsidies to Europe's ailing industry

scheme is approved by the Brussels authorities. Even Mr Martin Bangemann, the West German Economics Minister—whose country has one of the most efficient shipbuilding industries in the EEC

and therefore needs relatively little support—told journalists in Brussels yesterday: "We need and want a more organised system of regulations." The issues that national officials now have to tackle fall

into two parts: at what level to set the aid ceiling and what kinds of assistance it should cover. The Commission argues that its 36 per cent limit makes up for most of the difference in costs between the most eff-

cient European yards and their Japanese and South Korean rivals, though it has been deliberately set a little low to stimulate EEC companies to become more competitive.

West Germany the Netherlands and Denmark will only accept that figure if it is gradually reduced over the years so as to force countries that have carried out less restructuring than themselves to shed more capacity.

Italy and France, which have restructured less than their northern colleagues, argue for a second, higher ceiling to cover larger vessels. Rome in particular is anxious to avoid making heavy closures in a domestic industry whose 15,000 workers are predominantly based in high unemployment regions.

Britain is also arguing for a split ceiling, with a top limit of possibly 33 per cent. That, it believes, is a more accurate mark of the cost gap between European and Eastern yards than that suggested by the Commission. This view is likely to be shared by the European Parliament when it gives its opinion next month.

Spain and Portugal are not immediately affected because the Commission proposals give them three years' grace.

"The next few weeks are going to be a painful process," said one Commission official. "We are talking about an industry which has little or no future but which still contains a few jewels. The quest for us is to find a way of picking them out of the garbage." Editorial comment, Page 16

Azores separatist says 60% back independence

BY PETER WISE IN LISBON

A SELF-PROCLAIMED Azores separatist leader claimed yesterday that 60 per cent of the population supported independence for the mid-Atlantic Portuguese islands and called for a referendum to decide the issue.

Mr Jose de Almeida, leader of the Azores Liberation Front (FLA), described the nine-island archipelago of 250,000 people as a colony of Lisbon and suggested there was military support in the Azores for the independence movement.

Most Lisbon politicians and deputies of the semi-autonomous region's parliament dismiss the separatists as a minuscule group lacking in support or realism.

But the resurfacing of FLA has added to tensions between the central and regional governments arising from a row over the honours to be awarded to the Azores flag and anthem.

The separatist leader said the strategic US air base on the islands was a hindrance to his movement's aims but he admitted that an independent Azores would continue to extend the same facilities to Washington.

The number of Portuguese workers not being paid has fallen by half over the past year, but companies still owe many months of wage arrears to more than 38,000 employees, according to government figures released yesterday. Trade unions contend many more workers are affected.

The Labour Ministry announced the drop in pay arrears as workers from Taboan, Europe's largest manufacturer of wood conglomerates, blocked roads to demand wages that have not been paid to the company's 1,700 employees since August.

Dutch pressed to bar missiles

BY OUR FOREIGN STAFF

THE SOVIET UNION yesterday sought to dissuade the Netherlands from deploying its share of US cruise missiles on the grounds that it would undermine efforts to reach agreement on removing medium-range nuclear weapons from Europe.

Speaking in advance of the visit to Moscow today of Mr Ruud Lubbers, the Dutch Prime Minister, a Soviet Foreign Ministry spokesman said in Moscow the deployment of cruise missiles in the Netherlands "does not make the matter (of any arms agreement) easier. It complicates it further."

Last November, the Netherlands became the last of five west European Nato countries to decide to accept intermediate-

range weapons. It will site 48 cruise missiles at Woensdrecht airbase near the Belgian border by 1988. The other four have already started deploying.

Mr Lubbers' visit began as a Russian ploy to block nuclear missiles in the Netherlands, and is ending as a Dutch move to do the same. When he meets Mr Mikhail Gorbachev tomorrow, he will urge him to negotiate with Washington separately over medium range nuclear missiles (INF) without linking them to the US Star Wars programme.

While The Hague has avoided any public differences with Bonn and London over the INF talks, the Dutch are much keener to be rid of all intermediate range missiles in Europe now.

Mr Lubbers is the first premier of a Nato country deploying medium range missiles to visit Moscow since last month's Reykjavik summit meeting between Mr Gorbachev and President Ronald Reagan.

The Dutch have been asked by Washington to sound out the Kremlin on the possibility of a Russian pact on space based weapons.

Today Mr Lubbers meets his Soviet counterpart, Mr Nikolai Ryzhkov, while Mr Hans van den Broek, the foreign minister, meets Mr Eduard Shevardnadze, his opposite number. The Russians have indicated that they would like to issue a joint communique at the end of the two-day visit but the Dutch have been less than enthusiastic

Anti-drink campaign in Hungary and Bulgaria

BY LESLIE COLITT IN BERLIN

SEVERAL EAST European countries are reducing their output and sale of alcohol in the face of growing effects on production as well as a rising mortality rate.

Hungary has banned the consumption and sale of alcohol at places of work while Bulgaria says it will cut alcohol output by 10 per cent.

Taking a cue from the Soviet Union, Bulgaria said it would ban alcohol at official receptions and cultural events as well as resort homes, parks, discotheques and stadia.

Imports of alcohol are to be reduced and the government plans to convert many bars into coffee houses and cafeterias.

The Hungarian industrial city of Miskolc has banned sales of alcohol before 9 am after the city council received thousands of letters requesting the ban.

For some years restaurants were not permitted to serve alcohol before 9 am which greatly increased alcohol sales in food shops and drinking in their vicinity.

Other food shops near major factories as well as the railway station have also been ordered to stop selling alcohol between 1 and 3 pm.

Hungary this month also adopted stricter measures against absenteeism which is considerably higher than in most Western countries.

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THE POWER IS IN THE PARTNERSHIP

OVERSEAS NEWS

Politician killed, store bombed as Aquino is put under pressure

BY SAMUEL SENOREN IN MANILA

A VETERAN Philippines politician and known anti-Communist was assassinated yesterday and a large department store was bombed in a continuing spate of violence that has rocked Manila since the murder last week of Mr. Rolando Olalia, a militant labour leader.



Mr. Enrique, critic of 'soft' line against Communists

Mrs. Aquino yesterday adopted a harder stance for negotiations in what appeared to be a significant change in policy. In a meeting with members of her Cabinet, which included Mr. Enrique, she ordered Mr. Ramon Mitra, chief of government negotiators, to produce a ceasefire within the month.

contact last week when Mr. Olalia was killed by unknown assassins. A funeral march that is expected to draw thousands of supporters is to be held for Mr. Olalia in Manila today to coincide with another general strike called by his union, the militant KKKU (May One Labour Movement).

DEFENCE BUDGET BOOST URGED

Israel heads for spending clash

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL'S powerful defence establishment and the country's economic authorities are once again on collision course, with the latter anxious to restrict public expenditure and allow the economy to climb off its sick bed.

But this time senior economic officials say the stakes are higher than ever before. They present a choice before Mr. Yitzhak Shamir, the Prime Minister, as one between meddling through in the present fashion or undertaking radical reforms which could lead to sustained growth.

Called for "real leadership" by the new Prime Minister, he points out that so far he has not shown his hand on the issue before him.

maintained to the end of the decade, is needed to compensate for sharp cuts suffered in recent years.

Against this traditional, security-first orientation, the Treasury paints the prospect of dramatic tax cuts—almost halving the marginal top rate of 60 per cent and private taxation—provided public expenditure remains constant in real terms.

A Treasury study has concluded that the abolition of tax exemptions could bring the marginal rate down to 45 per cent. In addition, cuts in the much resented heavy burden of social-security payments are being contemplated.

Yet senior officials say no formal proposal will be put to the Ministerial Economic Committee while the budget battle remains unresolved.

negotiating a ceasefire and suspected that they were playing for time to regroup. Gunmen dressed as women shot and killed Mr. Puzon. Police said Mr. Puzon's driver and the manager of his factory also died in the attack at about 7.30 in the morning in San Jose del Monte, about 10 miles north of Manila.

Mr. Puzon's daughter-in-law, Mrs. Eva Puzon, was seriously wounded. She said in an interview with government television that she had survived by pretending to be dead.

Six to 10 gunmen dressed as housewives leaped out of a "Jeepney," a small bus unique to the Philippines, and sprayed automatic fire at the car.

Mr. Puzon, who owned several large businesses, was representative of a district north of Manila which had a large concentration of Communist guerrillas and the armed forces to flush them out.

It was not known if Mr. Puzon's murder and the department store bombing which injured several persons were linked, although tension has swept Manila following fears of a new wave of political terrorism in the wake of Mr. Olalia's murder. Government authorities have still to solve the kidnapping last Saturday of a top executive of Mitsui in Manila who has not been heard from since.

No group has claimed responsibility for the violent incidents.

Britain loses Australia spy documents appeal

BRITAIN lost an appeal yesterday against a court order that it stop the disclosure of confidential documents in its case to ban a former spy's memoirs, Reuters reports from Sydney.

The New South Wales Court of Appeal rejected the application against the order by Philip Powell, who is hearing the British case against Mr. Peter Wright, a former MI5 counter-espionage agent.

Mr. Powell on Friday ordered the production of documents, including background notes used by Mrs. Margaret Thatcher, the British Prime Minister, in denying to the House of Commons that Sir Roger Hollis, the former MI5 director-general, was a Soviet spy. Other documents relate to British decisions on whether to take legal action to stop the disclosure of confidential information about MI5 in certain books and on television.

Legal sources said Britain has not decided if it will appeal to the High Court of Australia, the last avenue of appeal here.

Mr. Wright, 71, who now lives in Tasmania, was on the personal staff of Sir Michael Hanley, MI5 director from 1973-76. He has claimed Sir Roger, who had helped establish Australia's secret service, was a Soviet mole.

The Supreme Court has temporarily banned publication of Mr. Wright's book pending the outcome of the hearing for a permanent injunction against it which began on Monday.

Mr. Theo Simos, counsel for the British Government, said under questioning today that Britain's action is not to stop the publication of confidential information, but to stop MI5 employees or former employees from publishing it. Information revealed by MI5 "insiders" carried more authority and would be more useful to hostile intelligence agencies than the work of outsiders, he said.

Mr. Wright's counsel has argued that Britain did not pursue legal action against Nigel West's 1982 book "A Matter of Trust—MI5 1945-1981" after the writer had agreed to delete certain passages.

Australia has joined Britain in its action against the Wright memoirs on the grounds that they could damage the country's security interests and create doubts among allies which share intelligence.

AP adds: Mr. Wright made no attempt to prevent the broadcast of a television programme cast by Mr. Wright in 1984. Sir Robert Armstrong, the British Cabinet Secretary, testified yesterday.

"We did not know at the time how damaging it was going to be," Sir Robert told the New South Wales State Supreme Court hearing in Sydney. He is the primary witness for the British Government, which is seeking to prevent publication of Mr. Wright's book in Australia.

Sir Robert said under questioning by Mr. Malcolm Turnbull, who is representing

Mr. Wright and Heinemann Publishers Australia, that MI5 knew some weeks before the Granada TV programme "The Spy that Never Was" was broadcast that it featured an interview with Mr. Wright.

"I don't think we had time to get our act together to prevent the broadcast," Sir Robert said. He said MI5 was damaged by what Mr. Wright had said during the programme. Sir Robert said that Mr. Wright was one of three men the British security service had concluded might have leaked information to British writer Chapman Pincher. Mr. Pincher had published a book titled "Their Trade is Treachery" in 1981 that detailed moles in MI5.

China turns down Korea peace talks

By Robert Thomson in Peking

CHINA HAS rejected a South Korean proposal that it participate in formal talks to ease tensions between North and South Korea, Qi Huayuan, the assistant Chinese Foreign Minister, made clear in an interview here.

The proposal was relayed by Mr. Yasuhiro Nakasone, the Japanese Prime Minister, while he was in Peking last week. Mr. Nakasone also told his Chinese hosts that Japan supported the South Korean move, but Qi said that China backed a North Korean proposal for three-way talks on the future of the Korean peninsula.

The three-way talks, involving North and South Korea and the US are partly aimed at undermining the status of South Korea, which the North considers to be a US puppet, and therefore wants to talk directly with Washington.

South Korea proposed four-way talks, with China making up the fourth. Qi said the US should take part because it has troops on the Korean peninsula.

He maintained that China had "no bilateral relations" with South Korea, and denied rumours that there are plans to allow South Korea to open a trade office in Peking. He said, China, which attended the Asian Games in Seoul this year, is "still discussing" whether it will attend the 1988 Olympics in the South Korean capital.

Diplomats suggest that Peking had been annoyed by North Korea's granting of overflight and berthing rights to the Soviet air force and navy, but Qi said China was not disturbed by Pyongyang's move.

Zimbabwe payments surplus up

BY TONY HAWKINS IN HARARE

ZIMBABWE achieved a balance of payments surplus of 222,056 million Zimbabwean dollars (Z\$) during 1986, an increase of 25 per cent on the 1985 figure. The Reserve Bank of Zimbabwe said in its quarterly economic bulletin that this occurred despite an increase in the current account deficit from 23,101m to 23,146m.

The current account deficit widened despite an increase in the trade surplus to 23,300m because of a 2,510m increase in the current account deficit. However, the current account outflow was comfortably financed by capital inflows of 23,244m and unrecorded transactions of 2,510m.

The central bank said that foreign exchange flows had been "relatively stable" in the first seven months of 1986 but there had been a marginal (US\$19m) fall in net reserves during this period.

The bank said it had been assured that measures have been taken and are being implemented to secure new and established trade routes in the southern African region. It was issuing this assurance, the Review said, against a background of "a certain amount of uncertainty" about export routes in southern Africa, which might have caused concern among some "traditional international trade financiers".

Commenting on the economic situation, the central bank said it had revised its economic growth estimate for 1985 up to 7 per cent from 6 per cent previously. But it is cautious about the immediate outlook, saying only that there are "clear indications" of significantly slower economic growth during 1986.

AP adds: Mr. Uffe Elleman-Jensen, the Danish foreign minister, on Monday signed with the Zimbabwe government a fresh 100 million Z\$121m. The interest-free loan, repayable over 25 years, raises to 2,545m total Danish government aid to Zimbabwe since its independence in 1980.

The latest loan is earmarked for building green houses and buying new communications equipment. Earlier aid has mainly been spent on agricultural development.

Sri Lanka conflict talks end

By John Elliot in New Delhi

TALKS in New Delhi on Sri Lanka's Tamil ethnic crisis ended last night after the Foreign Ministers of India and Sri Lanka failed to find a formula which would be acceptable to leaders of extremist Tamil separatist groups as a basis for negotiation.

The talks started at the weekend at the South Asian summit in the southern Indian city of Bangalore when Sri Lanka made significant concessions by offering to split its eastern province so that the Tamils controlled one part of the country's east as well as the northern province of Jaffna.

But this was rejected by leaders of the Liberation Tigers of Tamil Eelam, the main separatist group, which is based in the southern Indian state of Tamil Nadu. In its role as mediator, India will now continue to try to find some common ground in order to start negotiations. Talks between the two countries' ambassadors are expected to resume today.

If no solution is found, India will consider expelling the leaders and activists of the extremist groups from Tamil Nadu in line with an agreement reached at last weekend's summit that said Asian countries should "take the lead" in bases for neighbouring countries' extremists.

AP adds: Mr. Cordevez has served since 1982 as an intermediary in the indirect talks between Pakistan and the Soviet-backed Afghan Government. Agreement already has been reached on three of the four points of the settlement—non-interference in each other's affairs; international guarantees on non-interference; and return of some 5m Afghan refugees now mostly in Pakistan and Iran.

But the talks remain deadlocked over the troop pullout timetable. Mr. Cordevez said the Soviet troops to leave in months rather than years as offered by Kabul.

The Pakistan spokesman said Islamabad wanted the timetable to be determined by what it called the objective criterion of logistics requirements. The spokesman said there were indications there would be progress in formulating arrangements for the implementation of previously settled issues.

"On the other (pullout date)," the spokesman said, "positions are far apart."

Afghanistan talks deadlocked

UNITED NATIONS-sponsored Afghan peace talks are deadlocked on the timing for withdrawal of Soviet troops from Afghanistan, a Pakistani Foreign Ministry spokesman said yesterday, Reuters reports from Islamabad.

But the spokesman, speaking to reporters before the expected arrival in Islamabad yesterday of a United Nations mediator, said that Islamabad was keen for a settlement and hoped to resolve the differences.

He said the visit of Mr. Diego Cordevez, UN Under Secretary-General, to Islamabad, Kabul and Tehran would focus on arrangements for the proposed settlement and the timetable for withdrawal of the more than 100,000 Soviet troops in Afghanistan.

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Beirut bank blast

A rocket-propelled grenade hit Lebanon's Central Bank in West Beirut, wounding one employee police reported yesterday. AP reports from Beirut.

They said it slammed into the sixth floor of the eight-storey building across the street from Prime Minister Rashid Karami's office in the commercial district of Hamra.

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AMERICAN NEWS

Reagan acts to resolve row over Iran arms

BY STEWART FLEMING, US EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan was yesterday preparing to try to resolve the controversy over US arms shipments to Iran amid continuing speculation that it could lead to the resignation of one of his senior foreign policy advisers.

Both the White House and the State Department denied reports that Mr. Shultz intends to resign and that Senator Paul Laxalt, a close friend of President Reagan, would replace him.

But some foreign policy experts continued to question whether, if Mr. Shultz remained in the Administration, as they expect, Vice Admiral John Poindexter, the President's National Security Adviser, would also stay.

Mr. Reagan was scheduled to meet Mr. Shultz yesterday afternoon, a few hours before the President was to appear on national television for his first press conference since August 12.

The White House decision to hold a press conference followed the failure last week of Mr. Reagan's televised address to the nation. This was intended to damp down questions about his decision secretly to ship arms to Iran as part of a diplomatic initiative which has been widely interpreted as designed in part to secure the release of American hostages held in Lebanon by pro-Iranian terrorist groups.

Mr. Shultz made it clear on US television on Sunday that he disagreed profoundly with a diplomatic move which appeared to involve a deal with terrorists or a nation such as Iran which the US has identified as sponsoring terrorism.

On Monday the White House announced that it had no further plans to ship arms to Iran, a statement which was widely seen as designed to meet Mr. Shultz's objections and which it was thought would remove



Mr. Shultz, speculation over resignation persists

questions about whether or not Mr. Shultz would remain in the Administration.

There were differing interpretations yesterday of the continued speculation about Mr. Shultz's future.

Some suggested Mr. Shultz still required clear assurances that after the President, he is the Administration's chief foreign policy adviser. Others argued that the speculation was being fanned by officials around him in an effort to pressure the White House into acknowledging more explicitly the Secretary's predominance in the foreign policy making process under the President.

Mr. Shultz and the state department were largely ignored in the implementation of the Administration's overtures to Iran, which were conducted by the White House through the staff of the National Security Council, an executive branch agency.

One way in which the strength of Mr. Shultz's position could be underscored would be through the resignation of Admiral Poindexter.

US growth put at 2.9% in third quarter

THE US gross national product increased at 2.9 per cent a year in real terms in the third quarter, the Commerce Department said, Reuters reports from Washington.

That was up from last month's estimate of a 2.4 per cent rise and the 0.6 per cent increase in the second quarter. GNP rose 4.1 per cent in the third quarter of 1985.

The rise, in line with analysts' predictions, was revised upward from last month because of higher defence spending, which was partly offset by downward revisions in consumer spending and inventories.

The economy was growing at an annual rate of 2.4 per cent in the first quarter of 1986 and would have to grow by 5.6 per cent in the current quarter to achieve the Reagan Administration's 3.2 per cent growth forecast.

The White House welcomed the revised GNP figures and said it was a sign the economy was picking up.

"With the trade deficit now beginning to drop off and American business poised to begin operating in an improved atmosphere of tax reform and declining budget deficits, potential for growth seems limitless," said spokesman Mr. Larry Speakes.

The Commerce Department also announced that profits of US corporations, after tax habits, increased 6.6m, 4.3 per cent, in the third quarter to a seasonally adjusted annual rate of \$144bn.

Chris Sberwell in Perth adds: US economic growth will decelerate in the first half of next year, promising reductions in the Federal Reserve's key discount rate and interventions to support the dollar, Dr. Henry Kaufman, managing director and head of bond research at Salomon Brothers, forecast yesterday.

THE BOESKY SCANDAL

Wall Street takes on the triple alliance

BY RODERICK ORAM IN NEW YORK

WALL STREET is juggling its hottest business — takeovers launched by corporate raiders, financed by junk bonds dealers and facilitated by arbitrageurs — like a hot potato as the judicial and regulatory authorities rapidly expand the scope of their investigations.

The triple alliance between the three types of players has brought about some spectacular corporate coups in recent years, catapulting a string of raiders into the headlines. In recent months, the takeover fever has pushed the stock market up from its precipitous drop in mid-September.

This week's abrupt cooling of the takeover passion in the wake of the Boesky insider trading scandal has prompted the market's steep drop on Tuesday afternoon.

News yesterday that the relationship between the three forces in opportunistic takeovers had come under the scrutiny of the courts further fanned the fire, with many investors knowing yet just how deep into Wall Street the Boesky scandal will spread.

Reportedly, Drexel Burnham Lambert, the third largest investment bank on Wall Street in terms of underwriting volume, is the subject of a grand jury investigation into the links between it and Mr. Ivan Boesky, the arbitrageur penalised \$100m last week for insider trading.

Under the US legal system, grand juries meet in secret to collect evidence from which to decide whether indictments should be brought for alleged violations of criminal laws.

That a person or company is cooperating with a grand jury in no way implies wrongdoing on their part. No statement from Drexel on the reports was immediately forthcoming.

Drexel is the focus of attention because of the role it has played in the takeover business. Mr. Boesky, a Drexel employee who developed the theory of junk bonds, remains the key man in the market for his ability to construct deals and distribute billions of dollars of the bonds through Drexel.

It is believed he has been subpoenaed in the Boesky affair. Drexel confirmed that as a firm has been subpoenaed.

Over recent years Drexel has underwritten \$30bn of junk bonds, half the total, issuing \$15bn alone in the first 10 months of this year, compared with a mere \$3bn from Merrill Lynch, second placed in the market. Drexel's overall underwriting totalled \$27bn for this year, placing it third behind Salomon and First Boston, both of which have minimal junk bond involvement.

The relationship between the three forces was spotlighted in a public court hearing in Boston on Tuesday. Gillette, the razor and consumer products company, accused Mr. Ronald Perelman of tipping off "market players" to his plans to launch a hostile bid for it.

It said that he had sought to "place as many shares of Gillette common shares as possible in the hands of professional traders, arbitrageurs and other speculators." Mr. Perelman's spectacular rise has been largely financed by Drexel junk bonds which he plans to use again in his bid for Gillette. But the share price of Gillette and other companies targeted for raids financed by Drexel fell sharply in worries that the bids would fail if Drexel should find it difficult to sell junk bonds in the present uneasy environment.

Grenada murder trial nears end

BY STEPHANIE GRAY IN ST. GEORGES, GRENADA

THE FINAL STAGES of the Maurice Bishop murder trial began in St. Georges, Grenada, yesterday when the acting Chief Justice, Mr. Dennis Byron, began his summing up after a seven-month hearing.

There are 18 defendants, 11 of whom are accused of murdering the revolutionary Prime Minister, Mr. Bishop and four of his ministers in November 1982. The other seven face lesser charges. The penalty for murder in Grenada is hanging.

The defendants, in what has been the longest trial in Caribbean history, include General Hudson Austin, the former People's Revolutionary Army (PRA) chief, Mr. Bernard Coard, Mr. Bishop's deputy, and Mr. Coard's wife Phyllis.

It was a dispute between Mr. Bishop and the more extreme Marxist Mr. Coard over joint leadership of the People's Revolutionary Government (PRG) that led to Mr. Bishop's murder and the crisis that precipitated the US invasion a week later.

The defendants fall into two categories—one group which allegedly ordered the shooting, and another which is said to have carried it out.

The judge's summary is scheduled to last two weeks and is likely to be subject to the disruptive and unruly behaviour by the defendants that has marked the trial throughout.

The 18 have been acting on their own behalf since shortly after the trial began, having dismissed their counsel.

Disruption of the proceedings has been seen as a delaying tactic in an effort to have any appeal—should the jury find them guilty—to the British Privy Council. The latter can hear appeals from Commonwealth countries which have not abolished this final appeal from their courts.

At present the 18 have recourse only to the local appeals court. Grenada has bowed to international pressure and the Supreme Court of the Organisation of Eastern Caribbean States. Membership gives them access to the Privy Council in the last resort.

Ironically, membership of the court was cancelled by the Bishop government, whose revolution in 1979 overthrew the eccentric and tough Prime Minister, Sir Eric Gairy. Grenada is expected to be readmitted to the court in January.

Military chief set to oppose missile cuts

BY LIONEL BARBER IN WASHINGTON

ADMIRAL William Crowe, chairman of the US Joint Chiefs of Staff, is to voice opposition to President Reagan's idea of eliminating nuclear ballistic missiles in 10 years in testimony to Congress next week.

Admiral Crowe is expected to describe the goal, outlined by Mr. Reagan at the Reykjavik superpower meeting, as "overly ambitious" and potentially destabilising, according to Pentagon officials.

US military concern about the Reykjavik proposals, shared by America's Nato allies in Europe, has led to a marked shift since Mr. Reagan's Administration's position.

In a speech on Tuesday night, President Reagan, reflecting a new sober approach, set out priorities for arms control, including the agreement struck with Mr. Margaret Thatcher, the British Prime Minister, last weekend.

President Reagan said the priorities were: a 50 per cent cut in strategic nuclear forces; "sweeping" cuts in theatre nuclear weapons in Europe and Asia, a ban on chemical weapons, and renewed emphasis on the imbalance in conventional forces between Nato and the Warsaw Pact.

A further sign that the US is baring second thoughts about Reykjavik came this week when Mr. George Shultz, US Secretary of State, suggested that the US retain a small ballistic missile force as an "insurance policy" against Soviet cheating.

Mr. Shultz's proposal appeared to contradict Mr. Reagan's oft-repeated view that the Strategic Defence Initiative—the space-based anti-missile defence shield—is an adequate insurance policy.

Mr. Reagan first broached the idea of eliminating ballistic missiles in a July 25 letter to Mr. Mikhail Gorbachev, the Soviet leader. After Reykjavik, the President said Mr. Gorbachev had rejected "the most far-reaching arms control proposal in history."

AN ONTARIO decision to provide all provincial government services in French as well as English has underlined growing tolerance among Anglophone Canadians towards the country's second official language.

Under a bill passed by the Ontario legislature, provincial agencies will offer bilingual services within the next three years in all but a small area of the province.

A five-member French language services commission is to be formed to supervise the transition, which includes a \$30m project to translate all provincial laws and some regulations into French. Each ministry will have a French services co-ordinator.

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Toyota and Mazda halt car output in Malaysia

TOYOTA MOTOR and Mazda Motor yesterday confirmed that they have temporarily suspended car production in Malaysia because of the impact of the yen's appreciation and shrinking sales, AP-DJ reports from Tokyo.

The moves, involving cars assembled from parts shipped from Japan, take effect immediately. Toyota and Mazda each operate a single plant in Malaysia.

Mazda said production would be halted throughout December and would presumably reopen in January.

Toyota, however, refused to divulge the duration of the company's production freeze, saying "it will not be that long."

Both companies said the strong yen has been driving up their prices in Malaysia, resulting in a substantial sales slump.

In Toyota's case, local production, measured in knock-down exports, was sufficient to build 4,500 units during the first 10 months of the year, down 82 per cent from the earlier period. An official said Toyota exported parts to build 28,135 units in Malaysia last year.

Last year, Mazda exported knock-downs for 14,510 units to Malaysia.

Mazda's and Toyota's sales have also been eroded by the locally-made passenger car — the Saga — built by the Malaysian-owned Proton or National Automobile Corp, with technical tie-ups from Mitsubishi Motor Corp.

According to industry officials, the vehicle has captured over 40 per cent of the market, selling 16,731 units in the first seven months of 1986, compared to 7,494 units in all of 1985.

By comparison, Toyota had a 11 per cent market share between January and July of this year, compared to 22.2 per cent in 1985. Mazda shrank to 3.6 per cent from 6.5 per cent.

Nissan suffers 20% fall in Japan's output

By Ian Rodger in Tokyo
NISSAN MOTOR, Japan's second largest motor manufacturer, suffered a record 20 per cent fall in vehicle production in Japan last month, as the effects of the high yen and stiff competition continued to hit sales.

The company, which recently announced an operating loss for the half year to September 30, said exports to the Middle East and Asian countries were especially hard hit.

Nissan has also been affected by the program made this year by Toyota, the market leader, towards its goal of achieving a 50 per cent share of the domestic market.

Nissan's vehicle output in the six months to September was down 8.3 per cent to 1.15m units, but last month it tumbled to 170,175 units, 20 per cent lower than in October 1985. By contrast, Toyota's output was flat last month at 257,632 units.

US deal for Stanley Electric

STANLEY ELECTRIC, the leading Japanese maker of electrical components for motor vehicles, has set up a joint venture in the US with Kyocera Bond, the Japanese trading company, to produce semiconductors and electric equipment for cars.

The new company, L. I. Stanley, plans to invest \$10m (\$8.6m) in a new factory at Battle Creek, Michigan, which will serve US automotive and electronic equipment makers.

Stanley already has a factory in the US, built in Ohio in 1979 to supply electrical equipment to a nearby Honda plant.

Stanley said the new venture, in which it has a 70 per cent interest, will begin operations next May producing electrical equipment for Mazda USA and DSM (Mitsubishi-Chrysler).

Subsequently, it hopes to supply to US manufacturers and Toyota's US plant.

Fiat offshoot and Hitachi in excavator venture

BY JOHN WYLES IN ROME

FIATALLIS, the Fiat group's construction machinery offshoot, and Hitachi yesterday announced the creation of a joint-venture company for the production and marketing of a new line of hydraulic excavators.

The new company, Fiat-Hitachi Excavator, will be 51 per cent owned by Fiat and 49 per cent by the Japanese company and its forecast turnover will be \$180m (\$125m) a year.

The agreement reached after eight months of negotiations will mark the arrival in Europe of a second major Japanese manufacturer of earth-moving equipment in competition with Komatsu which is building a plant in Britain next year.

Five-nation consortium offers new engine for A-340

BY DAVID MARSH

INTERNATIONAL Aero Engines (IAE) the five-nation consortium, is proposing a new fuel-efficient engine for the long-range A-340 aircraft, planned by Airbus Industrie, the European airliner manufacturer.

The proposal, still in outline stage, could introduce a new and possibly crucial factor into the British government's deliberations over whether and by how much it should fund

British Aerospace's planned participation in the A-340. The IAE consortium, leading members of which are Pratt and Whitney of the US and Rolls-Royce of Britain, has put forward ideas for a "superior" engine for the A-340 in talks this month with Lufthansa, the German national airline, and Swissair of Switzerland. It has also been holding technical discussions with Airbus.

Both airlines are weighing up the possibility of lodging firm orders by the year-end for the four-engine A-340.

Although Airbus Industrie—a consortium of four European aerospace groups—has not yet won firm government financial backing for the A-340 and its sister aeroplane, the A-330, it wants to launch both programmes around the beginning of next year.

The British Government has been hesitating over putting up several hundreds of millions of pounds to back UK participation in the A-340.

But the possibility of associating Rolls-Royce in the new development could, some observers believe, add to the chances that the UK vote will fund for the project.

The IAE suggestions are due to be discussed at a board meeting on December 2.

The consortium, linking General Electric and Snecma of France, last month announced an agreement with Airbus to build an initial 200 CFM56-5B engines worth \$1.1bn (£765m) for the A-340.

Up to now, IAE, which also includes MTU of West Germany, Fiat of Italy and three Japanese aero-engine groups, has put forward its V-2500 A-4 engine to fit the A-340.

The newly-proposed super-fan engine would however be considerably more efficient than the V-2500 A-4.

The A-340 is due to enter into service in mid-1992, with the short-to-medium range A-330 following about six months afterwards.

This depends, however, on the "green light" being given for the programme by the first quarter of next year.

EGYPT IS offering new oil production sharing arrangements to encourage exploration levels at a time of poor returns due to the collapse of the oil market.

Mr Salah Hafez, a vice chairman of the Egyptian General Petroleum Company, has unveiled a new formula that increases a foreign contractor's share of profit oil in a project's early stages.

Under existing agreements 40 per cent of oil discovered goes towards cost recovery, while the balance, so-called profit oil, is split on about an 80:20 basis.

The formula applies to new agreements for exploration and development in Egypt's promising Western Desert oil province.

The new arrangement will give the foreign company at least a 50 per cent share of profit oil until the capital invested has been realised.

In addition, Egypt has abandoned its requirement that a "strategic reserve" of 12 trillion (million million) cu ft of gas be established before foreign companies are permitted to participate in developing gas fields.

Cairo seeks to boost search for oil

By Tony Walker in Cairo

EGYPT IS offering new oil production sharing arrangements to encourage exploration levels at a time of poor returns due to the collapse of the oil market.

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Lufthansa decision crucial to long-range airliners battle

BY DAVID MARSH

IN THE long-running international poker game over the rival plans for new long-range airliners for the 1990s put forward by Airbus Industrie of Europe and McDonnell Douglas of the US, the players are keeping their cards close to their chests.

One important influence on which of the two suits turns out to triumph could stem from the choice at Frankfurt airport of Mr Reinhardt Abraham, vice chairman and chief technical executive of Lufthansa, the West German national carrier.

Mr Abraham has been the driving force behind the airline's persistent requests during the last few years to Airbus Industrie to come up with a new long-range airliner suitable for Lufthansa's needs.

Lufthansa is only a few weeks away from making a decision

which could have a crucial bearing on Airbus Industrie's future programme.

After months of tortuous negotiations with international airlines as well as with the European governments being asked to put up funds for the venture, Airbus is inching towards a decision in the new year to develop the long-range four-engine A190 proposed to come into service in mid 1992.

Although Airbus is competing however with a rival proposition from Douglas Aircraft, McDonnell Douglas's commercial jet company, which is proposing a similar long-range airliner, the MD-11. A derivative of Douglas's long-serving DC-10, the MD-11 would be available in the market earlier, from 1990 onwards, but would enjoy far fewer new-technology features compared with the A-340.

Mr Abraham, who is looking to buy for Lufthansa between 20 to 25 long-range airliners to replace ageing DC-10s and also to allow for future growth and more diversity on its long-distance routes, has had the competing offers from Airbus and Douglas on his desk since the beginning of October.

"We are studying the offers intensively, and we hope to come to a decision by the end of the year," he says.

Lufthansa is among the dozen or more international airlines which are studying both the A-340 and MD-11 aircraft. Swissair, which has a similar requirement to Lufthansa for long-range airliners, is also looking at proposals from both manufacturers.

The decision of Lufthansa and other carriers over the next few months will have a vital effect

on whether or not European governments put up hard cash for Airbus's future development. Developing the A-340 and its "sister" aircraft, the short to medium range twin engine A-330 planned to have the same wings and a slightly extended fuselage, will cost at least \$3bn.

The French, West German and British governments are well aware that existing Airbus projects are a long way from breaking even.

London and Bonn have both indicated their support for any possible tie-up with McDonnell Douglas which would allow Airbus to continue its A-330 and A-340 projects with help from the US company to penetrate the all-important American market.

Mr Abraham, who is clearly aiming to get the best possible deal for Lufthansa, says that

international airlines themselves want clarity over which programme—the A-340 or the MD-11—is likely to end up the stronger.

"A certain number of minimum orders is needed to guarantee a launch base. There is room for only one producer to build a (long-range) aircraft with a good economic outlook. Since we have a market for only one manufacturer, hopefully if a lot of airlines choose one model, then the other (manufacturer) would withdraw."

Mr Abraham denies that its major shareholder, the West German Government, which owns 74 per cent of its equity, will have any influence over the decision to buy Airbus or the MD-11.

But he says: "With aircraft of equal quality, or where Airbus is superior, we will choose

the European product. This is not because the Government tells us, but because we earn our money in Europe and it's fair to support our region."

An important factor influencing the final Lufthansa choice will be the range the airline can get out of each aircraft under consideration. Douglas is offering an extended range MD-11, scheduled for delivery in 1991, which would allow 220 passengers to be carried over 7,000 nautical miles.

The A-340 on offer would carry more passengers—some-what in excess of Lufthansa's requirements—over a slightly shorter distance. The range would be 6,800 nautical miles with the Franco-American CFM56-5B engine, and 6,300 nautical miles with the current International Aero Engine (IAE) V-2500 motor, Mr Abraham says.

But he says: "With aircraft of equal quality, or where Airbus is superior, we will choose

More Israeli, US link-ups urged

By Andrew Whiteley in Jerusalem

MORE JOINT ventures between Israeli and US companies should be established as a means of expanding into new markets in the US and third countries, government officials from both countries have agreed.

The officials were meeting in Jerusalem this week to review the year-old Free Trade Agreement between Israel and the US, which will gradually abolish all barriers to bilateral trade by 1995.

Although there has been no dramatic leap in US/Israel trade since the agreement came into force in September 1985, the US has now overtaken the European Community as Israel's largest market. Last year the US took 34 per cent of Israel's exports, compared with 32 per cent which went to the EEC.

Despite the weakening of the US dollar in the first nine months of 1986, Israeli exports to the US climbed by over 25 per cent to \$1.9bn (£1.5bn) compared with \$1.5bn in the same period last year.

Mr Ariel Sharon, Israel's Industry and Trade Minister, has called on the US government to help facilitate greater private American investment in Israel through the provision of long-term credit and other types of support.

New foreign investment in Israel has dwindled to insignificant levels in recent years. But now that the raging inflation of the past has been curbed and the economy has been stabilised, renewed efforts are being made to attract foreign capital.

Indirectly acknowledging that problems in dealing with the Government had previously deterred many interested investors, Mr Sharon said that steps were being taken in his ministry to overcome bureaucracy.

"Every (potential) foreign investor will get an answer," he declared, claiming that he had personally met all those who had expressed an interest. The initial reaction of US officials to the Industry Minister's appeal for assistance in reversing this trend was that they would prefer to leave contacts to the private sector.

The weak dollar was, however, cited as a disincentive.

US companies are among those believed to have expressed an interest in Israeli government-owned concerns on a short list for being sold off to the private sector.

Approximately 140 US companies are currently either participating in joint ventures or also have direct investments in Israel, for a total value of \$600m.

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UK NEWS

Partners back Peat Marwick McLintock deal

BY HUGO DIXON

THE UK partners of Peat Marwick and KMG Thomson McLintock, the accountancy firms, have agreed to the merger announced in principle in September. They are the second national group of partners to approve the merger which will create the world's largest accountancy firm, following agreement by the US partners of the two firms last month.

The next step is for the firms' joint international steering group to formalise the merger. This is expected by January 1, after several more countries have given their approval. The steering group is meeting in the US today to discuss the state of play and develop a joint marketing strategy.

Neither Peat Marwick nor Thomson McLintock would give details of how the voting went, but both said the respective majorities of 75 per cent and 80 per cent needed were comfortably achieved.

Mr John Adcock, managing partner of Thomson McLintock and destined to become one of the two deputy senior partners in the merged firm, said he hoped the decisive votes in the UK and the US would

"encourage the others." If the international merger goes according to plan, the UK firms will start operating together under the name of Peat Marwick McLintock from April 1. In the intervening period, various practical issues have to be ironed out, said Mr Jim Butler, senior partner of Peat Marwick and the designated senior partner of the new firm.

The most important of these, he said, was office accommodation. In most cases, it would not be possible to move the two firms into one building immediately, but he did not think it would be right to leave people where they were. For the merger to work properly, staff and partners would have to be combined.

Working practices would also have to be harmonised. However, Mr Butler did not envisage any major culture clashes in doing this.

Peat Marwick has 250 partners and 42 offices in the UK and had income of £114m in 1985-1986. Thomson McLintock has 148 partners and 22 offices, and had income of £52m in 1985-1986.

MINISTER PREDICTS SUSTAINED UNEMPLOYMENT IMPROVEMENT

Long-term jobless trend 'reversed'

BY IVOR OWEN

GROWING OPTIMISM among senior ministers that the Government will be able to claim a sustained improvement in the unemployment situation at the next general election was reflected in a buoyant speech by Lord Young of Graffham, the Employment Secretary, in the House of Lords last night.

Taking the unusual step of anticipating the December unemployment figures, he told peers: "It will be seen that we have reversed the continuing long-term

trend in unemployment and it will soon be going down." Lord Young admitted: "Unemployment is still far too high and remains our most important challenge."

He strongly questioned proposals made by Labour leaders that they would be able to reduce unemployment by 1m within two years of taking office and contended that, on a comparable basis, 2.3m new jobs would have had to be created since 1983 instead of the 1m achieved in the

notably better business climate resulting from current policies.

Lord Young maintained that Labour's proposals for creating "new jobs" in the public sector would reduce its efficiency and harm the economy.

He gave a warning that many large companies were still looking for reductions in their labour forces so that they could become more competitive and underlined the need for continued growth in new companies.

Lord Young said: "We need large firms but we need a steady growth of new firms to provide the large firms and steady employment for the future."

Having just completed his third trade mission to China he felt fully confident, for the first time, that "we can compete."

British companies were winning business, meeting quality requirements and delivery dates - and this had not always happened in the past.

Revival under way, Page 7

BT goes to foreign microwave suppliers

BY DAVID THOMAS

BRITISH TELECOM (BT) has been forced to go to foreign suppliers for the next generation of digital microwave equipment, an important part of the BT network, because British manufacturers are unable at present to make the equipment.

BT has just awarded four contracts which will allow it to try out the latest equipment for its microwave network which sends radio beams carrying voice and data for long distances across country.

The latest equipment to be tested by BT uses a technique, known as

64 QAM, which increases the capacity of each band by about 33 per cent.

The four trial contracts are worth £1.5m, but companies which are successful in the trials are likely to be in the running for larger contracts. The trials are to be completed in about a year's time and further orders could be made in 1988.

Two of the four companies awarded trial contracts are British: GEC and STC. However, they are offering equipment which is essentially made by non-British companies.

GEC will be using equipment made for it by Northern Telecom of Canada. STC is adopting equipment made by Fujitsu of Japan.

The other two companies offered trial orders are Telettra of Italy and NEC of Japan.

It is understood that BT has not previously given significant orders to Fujitsu, Telettra or NEC.

BT considered only two other possible bidders for the contracts - Siemens of West Germany and a joint venture between AT&T of the US and Philips of the Netherlands -

but decided their products were not sufficiently developed for its needs.

BT, which has been under some criticism for increasing its imports since its privatisation, stressed it preferred to buy British equipment, but there was none available.

It hopes that more of the microwave equipment might be made under licence in Britain by the time it places larger orders.

One reason why BT needs microwave equipment carrying more calls on each band is that there is growing competition for use of the limited radio frequency spectrum.

Kinnock condemns Labour extremists for harming image

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR NEIL KINNOCK, the Labour leader, yesterday attacked extremists' left-wing councils which he claimed attracted lurid headlines and obscured the real achievements of the majority of Labour controlled local authorities. His comments, which acknowledge the potential electoral damage the activities of extremists could inflict upon Labour, come immediately after repeated Government broadsides aimed at what ministers have dubbed the "loony left".



Neil Kinnock: "A great blunder of distractions"

The Government believes that in exploiting the well publicised excesses of a number of local authorities it has found a major weapon with which to attack Labour in the run up to the next general election.

Mr Kinnock told a meeting of the Parliamentary Labour party attended by nearly 90 MPs that the sensationalism attached to the actions of a few councils obscured the efforts of most of the Labour movement at local level.

He said many Labour councils were working under near impossible conditions to turn their policies into practice and the credit due to them was obscured by extremism. He added: "It simply proves yet again that the greatest enemy of radicalism is zealotry. When idealism is made to look like extremism it is the ideal that is discredited."

Mr Kinnock said Labour had to make sure that its real ideas and real policies were not "blotted out by a great blanket of distractions which the enemy will be glad to exaggerate and thicken until it smother achievements and alternatives."

The Labour leader also embarked on a wide-ranging attack on Government policies. He said the Tories' economic policy was in total disarray with ministers hoping they could spend enough to win the election and praying that no one would notice that the economic situation was deteriorating. Forecasts about economic growth, continuing low inflation and the balance of payments deficit were all "fantasy".

Mr Kinnock said the Govern-

ment's defence policy depended entirely upon building a ballistic system which President Reagan and Mr Gorbachev now wanted to reduce. Similar to the Alliance defence policy, it carried the seeds of its own destruction.

He said that Britain now had to decide whether it went further down the nuclear tunnel or developed an alternative and credible security system. Labour, he emphasised, intended effectively to defend Britain and to make a proper contribution to Nato.

Mr Kinnock said the Prime Minister Mrs Thatcher said yesterday: "By that time the spread of ownership will be much wider; people will have got used, once again, to freedom and a responsible society and I don't think that they would have any truck with socialism. You see, it goes further and further towards an East European kind of society."

Royal Dutch/Shell chief encouraged by prospects

BY MAX WILKINSON, RESOURCES EDITOR

THE PROSPECTS for the oil industry are encouraging in the long term, in spite of the sharp fall in crude prices this year, Mr Jan Choufuer, a managing director of Royal Dutch/Shell said in Glasgow yesterday.

However, he emphasised the need for big cost cutting by those companies which hoped to remain in business to take advantage of the better times ahead.

He said the latest agreement of the Organisation of Petroleum Exporting Countries (Opec) would be capable of stabilising the oil market if members adhered to the production quotas allocated to them.

But even without production restraints, the oil market would be heavily self-stabilising, Mr Choufuer told the 1986 West of Scotland conference on "Challenges and Opportunity Offshore."

He said: "The oil supply overhang that brought about the collapse in oil prices is, in time, inherently self-correcting. The lower the oil price, the sooner will reduced supply and increasing demand combine to absorb the overhang."

Supply would be reduced by the closing of high cost production, postponement of new development projects and reduced maintenance of oil installations.

Mr Choufuer said that in the present period of depressed oil prices it was highly important that the impetus of research and development should continue.

This has recently been a major theme for Shell's top management, which is now making intensive efforts to find better and cheaper ways of producing oil as an alternative to extending development in the highest cost areas.

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UK NEWS

Lawson says recovery is well under way

BY PETER RIDDELL, POLITICAL EDITOR

THE PICKUP in the British economy was "already well under way," Mr Nigel Lawson, Chancellor of the Exchequer, argued yesterday.



Mr Nigel Lawson

This followed new figures showing a 1 per cent rise in total output in the third quarter over the previous three months.

The latest Gross Domestic Product (GDP) figures, suggest that total output between July and September this year was about 3 per cent higher than a year ago.

Mr Lawson pointed to an improvement in manufacturing productivity after a short pause, with the result that the annual rate of growth in unit labour costs was slowing from 8 per cent in the first half of this year to about 4 1/2 per cent in the third quarter.

Mr Lawson was accused of complacency and of engineering a pre-election boom by Mr Roy Hattersley, Labour's Treasury spokesman.

Output of the production industries rose by about 1.5 per cent between the second and third quarters; service industries' output was up by about 0.75 per cent and there was a further 2 per cent rise in distribution.

Mr Owen said there was the prospect of "a very serious economic crisis after the election" if the Conservatives won again.

Officials take a cautious view of the oil and gas extraction component of industrial output which rose 6.3 per cent in the quarter.

Mr Lawson announced that the new personal equity plans scheme would begin on January 1 next year.

He said that the Inland Revenue had already received more than 100 applications from firms who want to run such plans.

The scheme, announced in the March budget, allows adults to subscribe cash of up to £2,400 a year to a plan, with no need for record keeping or dealings with the Inland Revenue.

Mr Lawson reiterated his objective that in the coming 1987-88 financial year, public sector borrowing would not be allowed to exceed the 1 1/2 per cent of GDP indicated in the medium-term financial strategy.

He also repeated the objective of reducing the proportion of national income taken by the public sector. He stressed that short-term interest rates were the key instrument of monetary policy and said they would continue to be kept at whatever level is necessary to secure monetary conditions that bear down on inflation.

New cable franchises will be advertised

By Raymond Snoddy

THE Cable Authority plans to advertise a number of new cable television franchises in the new year as signs increase of growing investment interest in the industry.

The authority is now in various stages of discussion with 10 groups interested in applying for new franchises.

A year ago the authority, the body which regulates the cable industry, decided to postpone the advertising of new franchises because too many of those already awarded franchises had not raised their finance.

There is a much more positive attitude now, says Mr Jon Davey, director general of the Cable Authority.

"We see it in the growing confidence of cable operators who are increasingly talking about expansion. There is also increasing activity on new franchises," he said.

In its first annual report published yesterday the chairman of the Cable Authority, Mr Richard Burton, said it was foolish to doubt the long-term prospects for cable because its initial development had not been faster.

"The question is not whether cable will develop but when," Mr Burton said.

Eight new broadband cable systems capable of carrying up to 30 channels of television were now operational and a further 14 franchises had been awarded.

By October 1 almost 180,000 homes were subscribing to cable television out of the 1m who could if they wanted to. Market research suggested that subscribers spent about 40 per cent of their viewing time watching cable rather than broadcast television.

The fact that 10 British programme channels were now available demonstrated, the authority argued, that early fears that cable would merely sink in a diet of cheap programmes from the US had been exaggerated.

The authority warned that with 20 of the 15 and 23-year franchises already awarded, those who come late to cable might find the best areas no longer available.

"Those who have the courage of their convictions at this early stage can expect to reap the benefits," said the authority, which has a permanent staff of only nine.

Mr Robert Maxwell, the British publisher, confirmed yesterday that he is part of a joint venture to bring MTV, the 24-hour a day music channel to the UK and the rest of Europe. The partners in the joint venture are Mirror Group Newspapers, British Telecom and MTV Networks, a subsidiary of Viacom International, the American communications and entertainment company.

Production industries output up 1.5%

BY JANET BUSH

THE 1 per cent increase in the output measure of GDP was well above most City of London forecasts.

Contributing to the rise was increased manufacturing output and a jump in oil and gas extraction as well as growth in the distribution sector against a background of strong consumer demand.

Output of the production industries rose by about 1.5 per cent between the second and third quarters; service industries' output was

up by about 0.75 per cent and there was a further 2 per cent rise in distribution.

Officials take a cautious view of the oil and gas extraction component of industrial output which rose 6.3 per cent in the quarter.

The index shows that output-based GDP has now been rising at a steady rate since the flat period at the beginning of 1984.

Officials noted that the rest of the energy sector remained weak.

The provisional estimate of GDP growth has been revised in the second quarter. The output index (1980-100) had originally been set at 112.9 but was revised up to 113.3, so showing a rise of about 0.8 per cent rather than 0.5 per cent.

The index shows that output-based GDP has now been rising at a steady rate since the flat period at the beginning of 1984.

Stockbroker in Lloyd's link-up

BY NICK BUNKER, INSURANCE CORRESPONDENT

STURGE HOLDINGS, one of the most powerful underwriting groups at Lloyd's of London, made a surprise announcement yesterday that it plans to take over Wise Speke, the Tyneside-based stockbroker.

Mr Sturge, the first Lloyd's underwriting agent ever to acquire a London Stock Exchange member firm, both parties said.

Wise Speke would retain managerial autonomy, but become a wholly-owned subsidiary of Sturge, they said in a jointly agreed statement.

Recent realignment of the UK's securities firms. Provincial brokers have been seeking extra resources to cope with the Big Bang changes in the London stock market, either by forming joint ventures or by becoming subsidiaries of large conglomerates.

Mr David Coleridge, Sturge Holdings' chairman and himself a Wise Speke private client, said friendly talks had been under way for several months since he made a personal approach to a Wise Speke partner.

Sturge's key motive was the need to diversify beyond the insurance field, the company added. Mr Peter Rawlins, Sturge Holdings' chief executive, said there were "areas of potential synergy" between Sturge and Wise Speke, which both provided financial services for wealthy individuals, but that was not the reason for going ahead.

Sturge plans however to recommend Wise Speke to its existing clientele of Lloyd's underwriting members (or "names").

Sturge currently acts as a members' agent managing the affairs of 1,780 Lloyd's names. It also manages 16 Lloyd's syndicates with a 1986 premium income capacity of about £900m.

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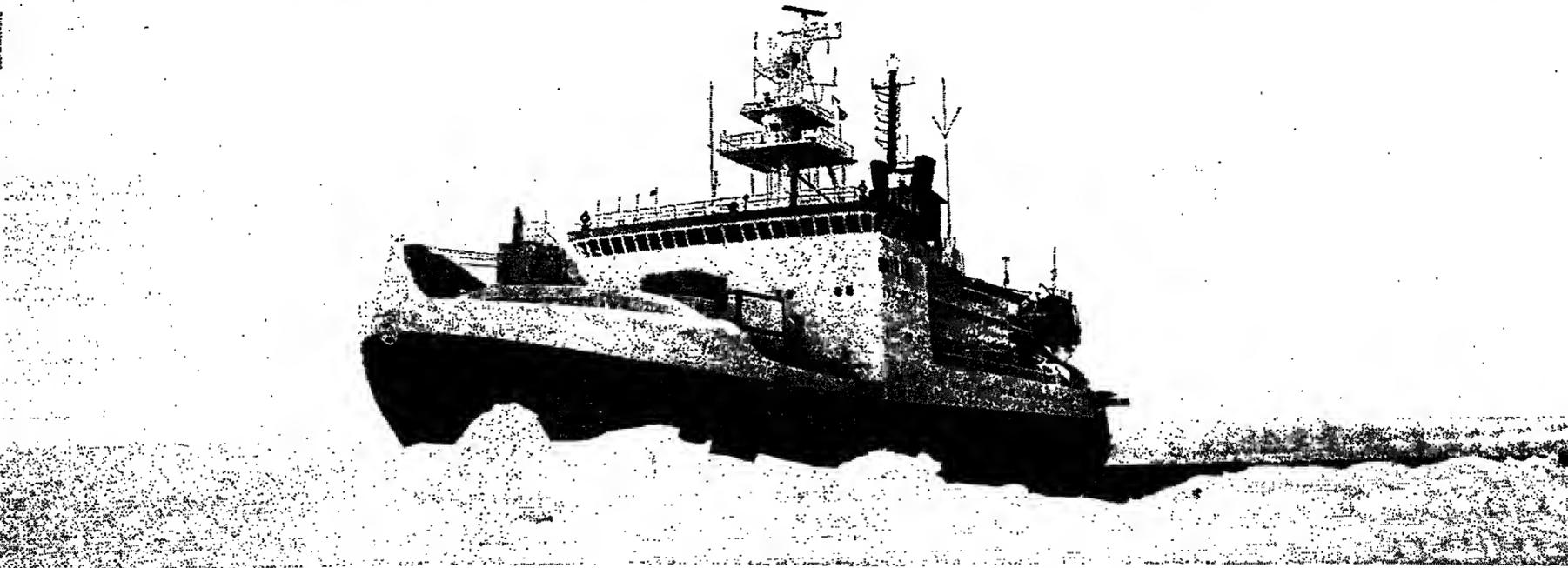
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UK NEWS

Michael Donne reports on a competition to provide the US Navy with aerial surveillance

Airship Industries hopes for \$2bn take-off

AIRSHIP Industries, the UK-based manufacturer of lighter-than-air craft, in conjunction with Westinghouse of the US, is now polishing up its "best and final offer" in a competition to provide airships for the US Navy that could result in orders worth \$2bn.

The Navy wants to buy airships for "airborne early warning" - providing stable aerial platforms that could remain aloft for long periods and in all weathers above the fleet at sea, to detect the approach of enemy supersonic sea-skimming missiles.

It wants enough airships to keep a number permanently airborne to protect surface warships.

Apart from being the biggest airship contract ever awarded (the Soviet Union uses airships, but it is doubtful if it has spent so much on a comparable venture), it would substantially improve the long-term commercial prospects for such lighter-than-air craft.

The revival of interest in commercial airships over recent years, especially through Airship Industries' own Skyship 500 and 600 series of craft, which have been widely used for advertising, tourist sightseeing and as TV platforms, has not yet extended to the construction of large passenger and cargo craft.

A big US Navy order could change that situation, because of the stimulus it would give to the development of advanced materials and techniques in airship construction. It could also stimulate much interest from other countries' armed forces for lighter-than-air craft for similar roles, and from commercial organisations.

The US Navy's researches have shown that only a large fleet of airships can do the airborne early-warning job cost-effectively. Fixed-wing aircraft, either jet or turboprop, would be far more expensive to operate, requiring either large aircraft-carriers at sea, or nearby shore bases, to support them.

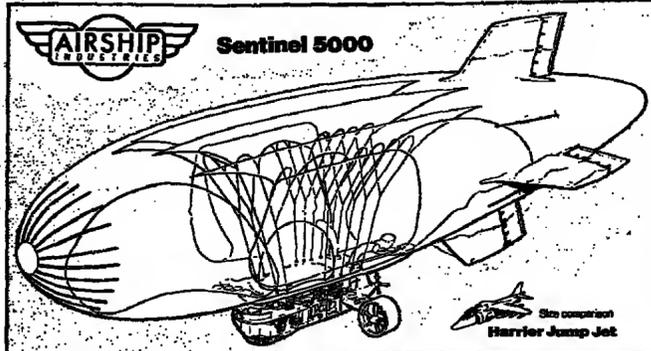
Airships, on the other hand, would be cheaper, capable of being operated off small ships, and capable of remaining airborne for long periods of time. As a result of its researches, the Navy some time ago launched its Naval Airship Program (NASP).

Originally in response to the Navy's requests, three companies were shortlisted - Boeing (which eventually withdrew, although it is watching what goes on closely); Goodyear of the US, which has a long history of airship manufacture, especially for the US Navy; and Airship Industries of the UK, which has linked with Westinghouse of the US to form Westinghouse-Airship Industries, or WAI, to fight for the US Navy contract.

Westinghouse has also had a long experience of building lighter-than-air craft, through its subsidiary, Westinghouse TCOM, which for years has built tethered aerostats (or balloons) for radar purposes for surface vessels.

This has given it much experience in developing fabrics for airship envelopes of long endurance and minimal maintenance. Westinghouse itself has also developed the TPS-63 radar which would be used in naval airships.

Airship Industries, in which the Australian Bond Corporation is the



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Airship Industries, in which the Australian Bond Corporation is the biggest single shareholder, has also been building airships for some years, with 10 craft now flying in the Skyship 500 (6-passenger) and 600 (12-14 passenger) series, and two more craft about to be delivered.

Their joint company, WAI, has bases in both the US and UK and has already begun building a "ground test vehicle," called Sentinel 5000, for the Navy's evaluation. The competition however, is formidable, for Goodyear of the US has built over 300 airships over past years (which it calls Blimps), and is currently working on a major new craft, the GZ-22.

Both group's proposals were submitted to the US Navy some time ago. December 5 is the target date for a Navy request for "best and final offers," and both groups are now busy refining their proposals to meet that deadline.

The Navy is due to announce the winner some time between December 15 and December 30. The initial reward will be a contract worth about \$200m for development of prototype airship, complete with all necessary avionics systems.

Mobil to make final appeal on tax ruling

By Raymond Hughes, Law Courts Correspondent

Mobil North Sea is to make a final appeal to the Law Lords against its successful bid to stage the National Garden Festival - and the chance of some work.

The £30m project, to be held in 1992, should bring 4,000 jobs - more than 2,000 of them permanent, say jubilant planners.

"We intend to make our valley the flagship for the rest of South Wales. This festival's importance to the lives of families in our community cannot be over-estimated," said a delighted Mr Brian Scully, mayor of Labour-controlled Blaenau Gwent Council.

"Now we have been given a chance, we can show people what we can really do."

Mr Scully has lost 18,000 jobs in the last decade - most of them with the closure of the steelworks, the first major plant to be hit in Britain. Now the festival and its layout of gardens and theme parks will be built on the 200-acre derelict steel-works site. On average, one man in

Welsh unemployment blackspot will stage garden festival

FINANCIAL TIMES REPORTER

JOB-HUNGRY Ebbw Vale, in South Wales, yesterday celebrated its successful bid to stage the National Garden Festival - and the chance of some work.

The £30m project, to be held in 1992, should bring 4,000 jobs - more than 2,000 of them permanent, say jubilant planners.

"We intend to make our valley the flagship for the rest of South Wales. This festival's importance to the lives of families in our community cannot be over-estimated," said a delighted Mr Brian Scully, mayor of Labour-controlled Blaenau Gwent Council.

"Now we have been given a chance, we can show people what we can really do."

Mr Scully has lost 18,000 jobs in the last decade - most of them with the closure of the steelworks, the first major plant to be hit in Britain. Now the festival and its layout of gardens and theme parks will be built on the 200-acre derelict steel-works site. On average, one man in

four is without a job, but in some parts of the borough the unemployment rate is 45 per cent.

Many former steel workers have been unemployed for more than 10 years and have been joined recently by migrants from closed collieries. Now they should be in the forefront for jobs to build and run Britain's latest tourist attraction.

Local authorities hope their plans for gardens and permanent tourist attractions on 180 acres at Victoria Heights will provide more than 2,000 jobs.

The successful bid, confirmed by Mr Nicholas Edwards, Welsh Secretary, best rival applications from Cardiff, Swansea and Decade.

It will be the fifth garden festival in Britain and the first in Wales. Among attractions will be a cable car ride up the side of the Ebbw Valley to give breathtaking views of nearby mountains.

The first government-backed garden festival attracted nearly 3.5m visitors to Liverpool in 1984.

TV franchises extended

BY RAYMOND SNOODY

THE GOVERNMENT will publish a Bill today to extend the franchises of the 15 British independent television companies by three years.

The Bill, in the form of an amendment to the 1981 Broadcasting Act, was introduced in the House of Lords yesterday. It means that the franchises of the 15 TV companies are protected until January 1 1993.

At first the Government wanted a two-year extension of franchises to allow time for proper consideration of proposals in the Peacock Report advocating that franchises should be put up to auction.

The Independent Broadcasting Authority argued that the extension should be for four years. A three-year extension has been chosen as a compromise which will also give more time to assess the effects of direct broadcasting by satellite (DBS).

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Tax rules for N. Sea to tighten

Financial Times Reporter

THE GOVERNMENT last night signalled its intention to introduce a tighter tax regime into the market for North Sea oil, which has recently seen a spate of paper transactions for individual cargoes which are never delivered.

This is one of the aims of amendments to the system of assessing oil companies for Petroleum Revenue Tax (PRT), announced by Mr Norman Lamont, Financial Secretary to the Treasury.

The new rules, to be incorporated in the 1987 budget, have also been prompted by the uncertainties in the present North Sea oil market compared with the situation prevailing in the 1970s, when the present rules were introduced.

Mr Lamont, in a written parliamentary answer, said that the legislation was aimed at putting valuation of oil for PRT on "a more certain and appropriate basis."

A related measure would determine the basis of PRT liabilities for Brent oil sold at arm's length, "where the number of deals done can result in the same cargo of oil being sold many times over."

When oil or gas is not sold at arm's length, as when a producing company simply sells to a refining company in the same group, PRT is charged on the "market value" of the fuel under rules drawn up in 1975. But the Government claims that in the present oil market these rules are no longer appropriate and need changing.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 18th November 1986, and has issued to the Bank, additional amounts as indicated of each of the Stocks listed below:

£50 million 2 1/2 per cent INDEX-LINKED TREASURY STOCK, 2001
£50 million 2 1/2 per cent INDEX-LINKED TREASURY STOCK, 2020

The price paid by the Bank on issues was in each case the middle market price of the relevant Stock at 3.30 p.m. on 18th November 1986 as certified by the Government Broker.

In each case, the amount issued on 18th November 1986 represents a further tranche of the relevant Stock, ranking in all respects *pari passu* with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice, the relevant provisions for "Public" Issues" set out below.

Copies of the prospectuses for the Stocks listed above, dated 20th August 1982 and 12th October 1983 respectively, may be obtained at the Bank of England, New Issues, Westing Street, London, EC4M 9AA.

Application has been made to the Council of The Stock Exchange for each further tranche of stock to be admitted to the Official List.

The Stocks are repayable, and interest is payable half-yearly, on the dates shown below (provision is made in the prospectuses for stockholders to be offered the right of early redemption under certain circumstances):

Stock	Redemption date	Interest payment dates
2 1/2 per cent Index-Linked Treasury Stock, 2001	24th September 2001	24th March 24th September
2 1/2 per cent Index-Linked Treasury Stock, 2020	18th April 2020	16th April 16th October

Both the principal of and the interest on the Stocks are indexed to the General Index of Retail Prices. The index figure relevant to any month is that published seven months previously and relating to the month before the month of publication. The index figure relevant to the month of issue of 2 1/2 per cent Index-Linked Treasury Stock, 2001 is that relating to December 1981 (308.8); the equivalent index figure for 2 1/2 per cent Index-Linked Treasury Stock, 2020 is that relating to February 1983 (327.3). These index figures will be used for the purposes of calculating payments of principal and interest due in respect of the relevant further tranches of stock.

The relevant index figures for the half-yearly interest payments on the Stocks are as follows:

Interest payable	Published in	Relevant index figure	Relating to
March	August of the previous year		July
September	February of the same year		January
April	September of the previous year		August
October	March of the same year		February

Each further tranche of stock issued on 18th November 1986 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock.

Each of the Stocks referred to in this notice is specified under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as a gilt-edged security (under current legislation exempt from tax on capital gains, irrespective of the period for which the Stock is held).

Government statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes or the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

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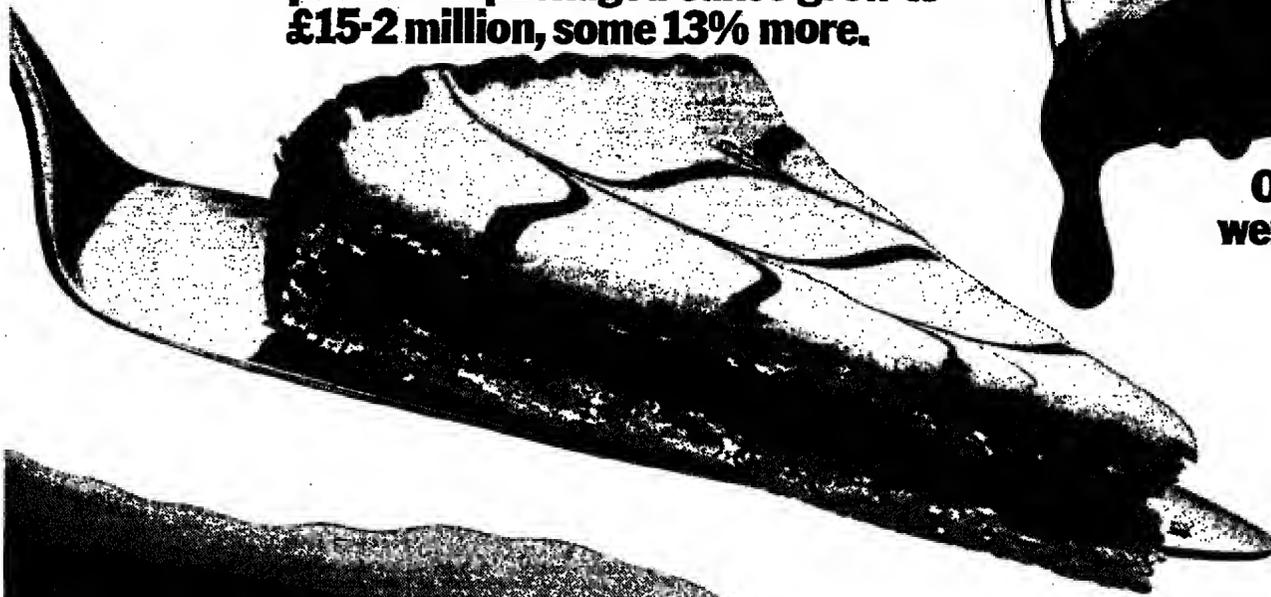
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Our profits from milling and baking rose to £35.4 million, an increase of 45%.



And our profits on groceries and food products increased to £25.2 million, up by 40%.

The Group's profit before taxation for the financial year to 30 August 1986 rose by 28% to £90.8m compared with £70.8m for the previous year. External sales increased from £1,314m to £1,414m.

This further substantial increase in profits over 1985 was due to improvements in all aspects of the Group's business. Mr Kipling, our packaged cake business, again produced excellent results. The Grocery division achieved record profits, helped by the development of new products, successes in its soft drinks business and recent acquisitions.

Our milling and bread baking interests jointly achieved profits considerably ahead of last year, within which British Bakeries produced results which amply justify the investment programme embarked upon some five years ago.

The General Products division, operating in such diverse markets as dairy products, mushrooms, chocolate, food mixes and pasta, showed further improvement and its growing retail catering operations recorded excellent results.

Results from our Overseas operations were ahead of last year with a return to encouraging profits from the United States. Profits emanating from the Pacific Region were likewise ahead, but in sterling terms, suffered from adverse exchange movements and were marginally down on 1985.

The directors recommend a final dividend of 4.49 pence per Ordinary share, an increase of 30 per cent over last year's final dividend.

With the interim dividend already paid, dividends total 6.61 pence per share, making an increase of 25 per cent in the total dividends for the year.

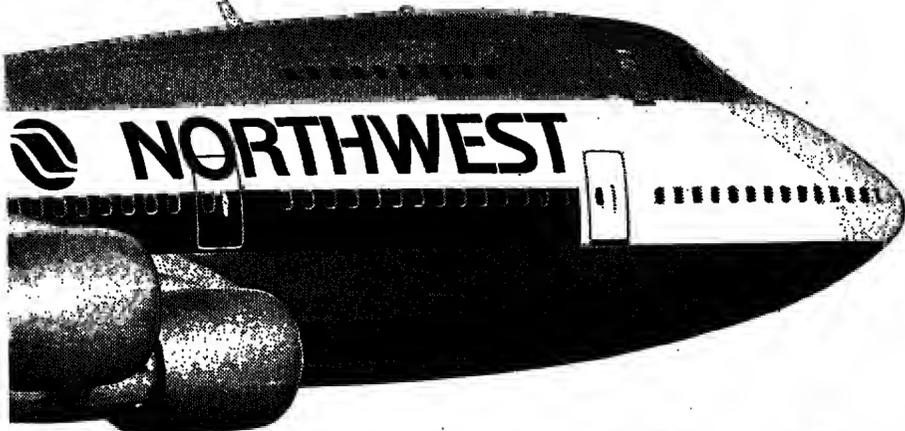
Chairman, Sir Peter Reynolds, said:-

Trading results for the first two months of our year are well ahead of last year and I expect this encouraging trend to continue.

RESULTS IN BRIEF	1986	1985
External sales	£1,414m	£1,314m
Profit before taxation	£90.8m	£70.8m
Funds employed	£532m	£512m
Return on funds employed	20.1%	17.0%
Net tangible assets per Ordinary share	£1.04	£0.95
Earnings per Ordinary share	20.7p	15.5p
Dividends per Ordinary share	6.61p	5.29p

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UK NEWS

GOVERNMENT 'FOOLISH' IN ATTEMPT TO SUPPRESS SPY BOOK

Call for security services inquiry

BY MICHAEL CASSELL, PARLIAMENTARY CORRESPONDENT

LEADERS OF the Social Democratic Party (SDP)/Liberal alliance yesterday stepped into the row over the Government's handling of the MI6 secrets case in Australia. They called for the establishment of a House of Commons select committee with powers to examine in detail the operation of the British security services.

Dr David Owen, the SDP leader, and Mr David Steel, leader of the Liberals, said that the Government had been made to look foolish in its attempts to prevent publication of a book by a former MI6 agent.

They claimed that ministers had increasingly lost their sense of proportion over potentially sensitive intelligence issues and were seen not to have an acceptable way of handling them. Parliament they said, should be given a strengthened role to scrutinise, at every level, the budgets and the activities of Britain's security network.

Mr Steel said that there had been "too many spy scandals." Both leaders had consistently argued for the formation of a committee to oversee the country's security services and to provide continuity between governments.

In calling for what he described as a vital reform which would "let a little fresh air blow into the suffocatingly closed world of British intelligence," Mr Steel said a senior committee responsible to parliament would make the security services ultimately accountable to the whole nation.

Dr Owen emphasised his belief that Mr Peter Wright, a former MI6 officer and author of the book had done wrong, as had other civil servants who had broken the rules of confidentiality.

He said serious analysis of the intelligence services was necessary and that the time had come for parliament to invest its authority in selected senior members, who could scrutinise their activities. "The right way is to use the select committee procedure. We cannot just leave it to the Government."

Dr Owen added: "The Prime Minister allows books to be published which are favourable to the intelligence services, while books which are unfavourable are treated in a different manner. The chickens are being sent home to roost."

He claimed that in most areas the Government was highly selective in what it chose to reveal. When it wanted to mislead, it misled, and when it believed it was in its best interests to give information, it would provide it.

He added: "The Government is increasingly making an ass of itself. A book which would have received little publicity will now attract mass sales and be very well-read."

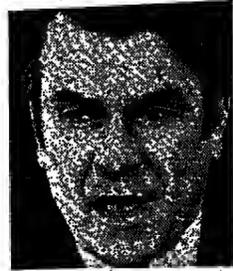
Mr Steel, who said Sir Robert Armstrong, the Cabinet Secretary, had been sent on "a ridiculous mission" to Australia, suggested that any select committee which was set up could publish reports, although not necessarily including all the evidence given to it. Its activities would provide "a powerful check" on the security services and on what the Prime Minister was doing.

Mr Neil Kinnock, the Labour leader, yesterday attacked Mrs Margaret Thatcher's House of Commons performance on Tuesday, when her attempt to invoke the sub-judice rule and prevent further discussion on the spy book trial was overruled by the Speaker (chairman).

He told the Parliamentary Labour Party that her performance was not the result of lack of understanding of House of Commons procedure or of foreign courts, but "one of character deficiency." Even when she had been given the opportunity to repair her error, she had not been adult enough to take it.

Mr Ian Gow (Conservative) yesterday unsuccessfully attempted to get the Speaker to reconsider his sub-judice ruling. But, despite its difficulties in the Commons, the Government remains determined to treat the whole MI6 book affair as a security matter and one upon which, sub-judice or otherwise, it will not comment.

Downing Street is making it clear that it believes the nation's security service must remain secure and that its secret services must remain secret. Simplest past and present are expected to observe the injunction placed upon them not to divulge information. Any attempts to alter that position merely represent a spurious case for disclosure.



David Owen: 'Chickens coming home to roost'

Mr Nicholas Ridley, the Environment Secretary, was at the centre of a new storm in the House of Commons last night, when he accused Mr Tony Banks (Labour) of "stealing" valuable silverware which belonged to the now-defunct Greater London Council.

He eventually withdrew the charge after being urged to do so by the Speaker (chairman), Mr Bernard Weatherill, but pointedly declined to apologise for having made it.

Mr Banks, who was the final holder of the office of chairman of the GLC, has explained that the silver concerned is in a place of safekeeping pending the return of a Labour government and the creation of a new Londonwide successor body.

Mr Ridley touched off an explosion of anger in the Labour benches when he told Mr Banks: "I understand that you have been accused not just of selling the family silver but, it appears, stealing it."

The Speaker tried to lower the temperature by suggesting that the minister could satisfy his critics by expressing his commitment to indicate that Mr Banks was "taking care" of the silver.

Mr Ridley responded by adopting the Speaker's formula but adding some embroidery of his own which still further infuriated the Labour benches.

He agreed to withdraw the stealing allegation and added that Mr Banks was taking care of the silver "just as someone took care of my silver two years ago - but he has not returned it yet."

Mr Banks rejected this qualified withdrawal as "quite unacceptable."

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Car industry 'must adapt to new consumer habits'

BY JOHN GRIFFITHS

THE SELLING of cars in the UK must move closer to the "retailing revolution which is sweeping our high streets," Mr Graham Day, chairman of the state-owned Rover cars and trucks group, said yesterday.

Mr Day said that of all retail businesses, "the only the motor trade that, by and large, has not so far responded adequately to changed consumer attitudes and habits."

Praising retail group Marks and Spencer as "about the best to be found anywhere in the world" in terms of its supplier-retailer-customer relationship, Mr Day, who assumed the chairmanship of what was formerly BL in May, said Rover was seeking similar standards.

He warned a conference organised by Motor Trader magazine

that car manufacturers "will rightly be looking for commensurate returns in distribution efficiency and customer satisfaction at the sharp end of the business."

Last year the UK motor industry spent £185m on media advertising, said Mr Day.

This meant savings in manufacturing efficiency and costs "have been swallowed up by downstream costs. The industry is rapidly reaching a position where the cost of distribution and marketing is the fastest growing variable cost and is taking a larger and larger percentage of total expenditure. This could not be allowed to continue."

But Mr Day said there was now a tremendous opportunity for the industry to come back as an economic force.

Minister accuses MP of 'stealing silver'

BY IVOR OWEN

MR Nicholas Ridley, the Environment Secretary, was at the centre of a new storm in the House of Commons last night, when he accused Mr Tony Banks (Labour) of "stealing" valuable silverware which belonged to the now-defunct Greater London Council.

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Fifteen no make that a dozen ways to save time in the office.



1. Matters that don't matter.

Do not waste time on trifles, for time is money. The Texan billionaire Haroldson Hunt realised this and gave up smoking cigars in his office for the simple reason that, "I wasted \$300,000 a year just in the time I spent unwrapping and lighting them".

Emulate Einstein's approach to trivial tasks. He used to wash and shave with the same soap, claiming that to use two kinds would "complicate life needlessly".

(You could take this a stage further by following Frederick the Great, who went years without washing at all — but only if you have an office to yourself.)

Be quick to spot when your time is being wasted. A young composer came to play the great Rossini two pieces he had written, in order to see which he preferred.

Half-way through the first piece, Rossini interrupted him. "You need not play any more," he said. "I prefer the other one."



2. Double time.

If you can do two things at once, so much the better. Theodore Roosevelt conducted conferences while being shaved by the White House barber — and Catherine de Medici gave audiences on state business as she dressed.

It is unlikely, however, that you will match the dexterity of the playwright J. M. Barrie.

When he lost the use of his right hand, he practised writing with his left to keep up his work. Later, his right hand recovered by which time he was so skilled with his left that from then on he used both at once, writing dialogue with his right hand and stage directions with his left.

There must be many people who would give their right arm for such a skill today.



3. The shortcomings of short cuts.

Occasionally you may find that you have to cut a few corners to get a job done on time.

The golden rule in such circumstances is simple: don't get caught.

One man who failed to get away with it was the composer and pianist Percy Grainger.

After he had given a rendering of Greig's 'Ballade' to an audience on Long Island, New York, he was accused of having shortened it. He had to admit it was true.

"I dropped six pages out of the middle so I could catch the 4.58," he said.



4. Pest control.

Taking your telephone off the hook and consigning your paging device to the depths of Britain's underground waterways will free you from many unwanted interruptions — but you will still have to deal with the inevitable plague of personal callers.

The best way of doing this was demonstrated by our ambidextrous playwright, J. M. Barrie.

A reporter once turned up uninvited on his doorstep and greeted him with, "Sir James Barrie, I presume?"

"You do," retorted Barrie, and shut the door in his face.

If such abruptness should strike you as being unacceptably rude, however, follow the example of John Ruskin, who forestalled unwelcome visitors by sending out the following circular:

"Mr. J. Ruskin is about to begin a work of great importance and therefore begs that in reference to calls and correspondence you will consider him dead for the next two months."



5. How to lick your bumf.

At the end of every working day the British field marshal

Harold Alexander would tip all the letters remaining in his In tray into his Out tray. Eventually, his assistant asked him why.

"It saves time," explained Alexander. "You'd be surprised how little of it comes back."

Yet this method of dealing with correspondence appears ultra-cautious when compared with that of Rita Hayworth.

A friend once found her working her way through a pile of letters, tearing up most of them unopened. "Stop!" he cried. "There may be cheques in there!"

"There are," replied Rita, unperturbed. "But there are bills too. I find they even up."



6. Kp yr ltrr as shrt as poss.

Procrastination, like all other long words, is the thief of time — and therefore to be avoided.

Similarly, there is no need for tautology, as it is quite unnecessary, while jargon is of non-positive utility vis-à-vis the temporal optimality of information-communication.

Aim instead for the brevity of this note sent by a schoolboy to his father:

"S.O.S. L.S.D. R.S.V.P"

(He was asking for money, incidentally.)

Or, if you are replying to a letter, bear in mind the Spartans of ancient Greece. They received a message from their enemies, the Athenians, which read:

"Unless you meet our conditions, we shall wage war on you and, if we defeat you, shall ravage your country, raze your cities to the ground, slaughter your menfolk and enslave your women and children."

The Spartans, being formidable warriors themselves, simply replied: "If . . . ?"



7. Brief briefings and short reports.

Reading and writing business reports can be a time-consuming affair — unless you are like Ike.

During his first term of office, Eisenhower appointed Arthur Burns as his first chairman of the Council of Economic Advisors.

At their first meeting, Burns suggested that he should send the president a memo outlining a plan for organising the flow of economic advice to the White House.

"Keep it short," said Ike. "I can't read."

"We'll get along fine," smiled Burns. "I can't write."

In the end, the two cut out the paperwork altogether by settling on a one-hour weekly conference of the council and president.



8. High-speed gas.

Meetings are without doubt the biggest waste of time in business life — for when all is said and done, there is always far more said than done.

Where possible, adopt the practice of Henry Ford, who used to visit his executives when a problem arose, rather than call them to his own office.

"I go to them to save time," he explained. "I've found that I can leave the other fellow's office a lot quicker than I can get him to leave mine."

Another way to speed up your meetings is to set strict time limits beforehand — whatever the importance of the person you are to talk to.

When the German Kaiser met Theodore Roosevelt after the funeral of King Edward VII, he asked him to call on him the next day "at two o'clock sharp — for I can give you only 45 minutes".

"I will be there at two," replied Roosevelt, "but unfortunately I have just 20 minutes to give you."



9. Don't wait around.

Irving Thalberg, the U.S. film producer, was usually so busy that his working hours were double- or triple-booked — with the result that people often had to wait for hours in his ante-room before they could see him.

When the Marx brothers came to talk to him about 'A Night

at the Opera', however, they refused to waste time just sitting around.

Groucho, Chico and Harpo each lit two fat cigars and began puffing smoke through the crack around his door.

Eventually Thalberg rushed out. "Is there a fire?" he shouted.

"No, there's the Marx brothers," the three replied, and marched into his office.



10. Never put off till tomorrow what you can put on to someone else.

Delegating tasks to others is often the key to getting things done quickly.

(Consider Robinson Crusoe, who always got his work done by Friday.)

The quality of the finished work need not be impaired; after all, the great Flemish artist Rubens often employed less gifted men to help him out.

By the time he was thirty, he had more orders for paintings than he could cope with on his own — so he allowed others to prepare his canvasses and paint in the foundation details, while he merely applied the finishing touches.



11. Expert advice — at a price.

Do not hesitate to seek outside help when confronted with a problem which is clearly beyond you.

General Electric of America once suffered a breakdown in a complex system of machines and spent ages trying (without success) to locate the fault themselves.

Eventually, they called in Charles Steinmetz, an electrical engineer who had retired from GE some time previously.

Steinmetz spent a little while walking around, testing various parts of the machinery. Finally, he took a piece of chalk out of his pocket and marked an X on a particular spot.

The machine was stripped down — and the GE men were astonished to find that the defect lay precisely where Steinmetz had made his mark.

There is a further point to this story, though: you must be prepared to pay the price for such expertise.

When General Electric received a bill from Steinmetz for \$10,000 a few days later, they protested about the amount and asked him to itemise it. Steinmetz duly sent back an itemised bill:

"Making one chalk mark . . . \$ 1
Knowing where to put it . . . \$ 9,999"



12. The time machine.

Always use the fastest office equipment available to you — such as the LQ2500, the new 24-pin dot-matrix printer from Epson.

It shoots along at an amazing 270 characters per second in draft — and at 90 c.p.s. in correspondence-quality mode, it will certainly help you make short work of all your business letters. (See again section 6.)

The print quality of the LQ2500 is equally sharp, for it has five letter-quality fonts built in. Furthermore, changing between them does not involve the lengthy business of making software commands; to choose a new typestyle, you simply press one or two buttons on the LCD 'Selectype' panel on the front.

The LQ2500 comes with a powerful 8K buffer as standard to allow your computer to get on with other tasks while it is printing. (See again section 2.)

IBM-compatibility also comes as standard — and of course, the LQ2500 is every bit as reliable as you would expect an Epson to be.

Yet it costs only £995 (RRP exc. VAT) — with the option of 7-colour printing for a mere £60 extra (RRP exc. VAT).

For further information, either: write to Epson (U.K.) Limited, Freeport, Birmingham B37 5BR; call up Prestel *280#; or dial 100 and ask for Freefone Epson.

And see again section 9.



EPSON

Accountancy Appointments

Treasury Associate Foreign Exchange Accounting

Occidental Petroleum Corporation, a major international energy company, is seeking a professional for the key Treasury accounting post in its London affiliate which co-ordinates world-wide FX reporting.

Candidates will be well qualified accountants; a university degree and/or professional qualification in business subjects is desirable. Previous corporate Treasury experience is needed, preferably in cash management or foreign exchange.

The job requires a clear conceptual and analytical grasp of FX accounting and the ability to communicate this effectively. Working within a highly professional FX team, the selected professional must achieve understanding and compliance with FX routines at numerous international locations, and must

provide the accounting data for FX management.

A creative ability to maintain and develop computer processes for FX accounting is required; sound practical knowledge in both those areas is expected. Competence in the Symphory spread sheet is desirable.

The post will interest accountants wishing for advanced experience of FX accounting. The group offers career development opportunities in corporate Treasury and accounting worldwide. The salary will be competitive within a generous remuneration and benefits package.

Write in confidence with brief career and personal details to:
Clyde Sorrell, Employee Relations Dept., Occidental International Oil Inc., 16 Palace Street, London SW1E 5BQ.



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Please write with full career details or telephone David Tod BSc FCA quoting reference D/S27/EF.

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Reporting to the General Manager you will be fully responsible for the finance function and play a key role in the management of the business. Your priority will be the introduction of meaningful management information and ensuring it is used

effectively. A qualified accountant, aged around 30 (ideally a graduate) you should have a clear record of increasing responsibility and be accustomed to working closely with marketing and operating functions. Commercial judgement, energy and a "hands on" philosophy will determine success. Apart from the excellent prospects, your competitive reward package will include a base salary, performance bonus and share options.

Please write in confidence enclosing career, personal and salary details to: Heather Mole quoting ref. L156 at Slade Consulting Group (UK) Ltd, Metro House, 58 St James's Street, London SW1A 1LD. Tel: (01) 629 8070.

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Candidates should be aged between 28 and 40, qualified accountants who have had

experience of managing the accounting and budgeting functions of a market orientated company. A strong technical ability is required, plus use of micro computers and the capacity to contribute to the direction of the business as a whole.

Please reply in confidence, giving concise career, personal and salary details, quoting Ref. FC1 to:

Sheryl Tye, Arthur Young Corporate Resourcing, Citadel House, 5-11 Fetter Lane, London EC4A 1DH.



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Send comprehensive CV to:
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The ideal candidate will become quickly involved in the accounting functions of this fast-expanding subsidiary, preparing monthly and management information, consolidation of European subsidiary companies, preparation of statutory annual accounts and financial analysis. There will be systems development and controls of financial applications on an existing IBM mini computer system, supervision of 5 staff involved in ledger processing, budget preparation and financial forecasting, as well as cash management, with limited European travel.

We are seeking an ACA aged mid to late 20's but would consider an ACA or ACA with a relevant commercial background and staff management skills.

Both positions are based in our new prestigious Headquarters in Bromley and offer scope for career progress. Please apply in writing with an up-to-date C.V. and current photograph to:

Mr J. Bowden
Director of Manpower Resources
TIPHOOK PLC
Lancaster House, 7 Elmfield Road
Bromley, Kent BR1 9LT

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BRAZILIAN STERLING LOANS: DECREE LAW NO: 6019

STATE OF PERNAMBUCO 5% LOAN 1965
NOTICE IS HEREBY GIVEN that for the Sinking Fund of the above loan for January 1987 bonds for a nominal amount of £3,400 have been drawn for redemption.

The following are the numbers of the bonds drawn for redemption at par on 1st January 1987, after which date all interest thereon will cease:

470 Bonds of £20 Nominal Value = £3,400									
305	504	431	622	718	720	804	825	1022	
1148	1201	1224	1464	1490	1570	1618	1702	1811	1812
2059	2254	2310	2315	2429	2523	2606	2651	2652	2653
2208	2260	2302	2314	2322	2324	2326	2328	2330	2332
2278	2289	2331	2333	2335	2337	2339	2341	2343	2345
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2988	2989	2990	2991	2992	2993	2994	2995	2996	2997
2998	2999	3000	3001	3002	3003	3004	3005	3006	3007
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MANAGEMENT : Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

Cullen's grapples with convenience

Christopher Parkes reports on the UK food chain's problems

DAVID CLAXTON, managing director of Cullen's Foodings, seems to be going of the term "convenience stores". After almost two years trying to stamp a livelier, 1980s identity on Cullen's traditional grocery and liquor outlets in the UK, he now prefers to call them "bloody good local shops".

Semantics offers no remedy for the difficulties facing the long-established and long-suffering chain—earlier this month it announced half-year losses of almost £1m. But Claxton's choice of words suggests an important tactical change, and highlights a general reassessment of the positioning and prospects of convenience stores in Britain.

A convenience store, by common consent, is a small local supermarket, open for long hours, seven days a week. It may also offer newspapers, takeaway food and other odds and ends. Claxton claims Cullen's is different, aiming to be an up-market niche operator bidding for a specific segment of the trade with different and more desirable products than sliced bread and sugar.

"We are developing specialities, adding own-label and added value products," he says. Building on the group's basic skills at the delicatessen counter and in the quality wines department, it has already increased its offerings of fresh produce.

Despite costly problems with high wastage of fresh foods—which appears to be part of the price the group must pay to convince new customers and old of the "convenience" of shopping at Cullen's—the group will press on with its merchandising strategy. Claxton says it is extending its fresh offerings and including more desirable produce such as chilled ready meals.

"In our view the niche we occupy does not rely on long days and hours, but it is a robust niche that consumers will recognise and respond to." Yet consumers still find it difficult to distinguish between a convenience store and a good local shop.

If there is a niche for this US invention, it appears to have narrowed considerably in the five years or so since the expression "convenience store" became current.

CONVENIENCE STORES	
Category	% turnover
Groceries/Food	58.0
Tobacco	11.0
Alcohol	9.5
News/trags/books	8.5
Confectionery/snacks	7.0
Soft drinks	4.5
Chemists goods	4.0
Fast foods	2.5
Fruit and veg.	2.0
Electrical	2.0
Records/video	2.0
Stationery/cards	2.0
Ice cream	1.5
Other	2.5

SPACE ALLOCATION AT CULLEN'S	
Category	estimated %
Groceries/food	52.4
Fruit/veg	5.4
Confectionery	3.9
Soft drinks	4.8
Ice cream	1.9
Entertainment/stationery	5.0
News/trags/books	7.3
Household goods	7.3
Alcohol	9.5
Tobacco	11.2
Other	14.4

All the big-name, full-range supermarkets now routinely open for 12 hours a day, six days a week. In big towns, at least, most people have access to one or more of these outlets. Although many convenience stores are open for at least 16 hours a day, a significant part of their advantage has been eroded.

Independent retailers, often run by Indian or Pakistani families and trading in so-called voluntary groups such as Spar and Mace, have been quick to adapt their ever-flexible businesses to the style which convenience store operators claimed as their own. These developments have left little space for newcomers.

The result has been that most of the leading names in the sector have run into some difficulties. Sperrings Franchising, one of the pioneers, said three years ago that it would have 200 outlets by 1987. There are still only about 80.

Aime Kelly, an analyst at Kleinwort Crivens, says she has long been sceptical of the concept's chances in the UK. "Convenience stores genuinely filled a gap in the American market," she says. "First, the US market did not

have anything to compare with Britain's vast reservoir of energetic small shopkeepers underpinning its basic superstore structure. "The general background to the problem is that Britain is not yet a car-borne society—40 per cent of shoppers don't own cars," she explains.

The publicity and enthusiasm which surrounded the idea's arrival in Britain concealed the fact that the most successful convenience stores in the US are attached to petrol filling stations, and that relatively few of those in other locations make satisfactory profits.

While it could be said that the difference between car ownership in the US and UK might work in favour of Cullen's "local shops," a high proportion of the group's target shoppers are fully mobile.

"What's wrong with Cullen's?" What's right with Sainsbury's is part of the problem," said Malcolm Samuel, a retailing specialist at Morgan Grenfell Securities. He was cooling over the 34 per cent half-time profit increase which the multiple had turned in a day after Cullen's reported its losses.

Samuel feels Cullen's had suffered for years from "the big boys" building better quality stores in better locations. The more run-of-the-mill multiples had all made great strides to match the quality image of Sainsbury's and Waitrose. More recently the major chains had moved forcefully into fresh foods.

While Cullen's may have chosen a perfect target customer, he suggests, many of its outlets are in less-than-perfect sites.

There are plenty of juppies—the "upwardly mobile young professionals"—in London and the south east, the chain's operating area, and Samuel hints there are "moves afoot" to set up stores in purposely chosen sites to "capture" them and those City workers whose working hours have been extended by the recent Big Bang, as they step from the train or drive into their dormitory suburbs.

"They want convenience and they want convenience of location," says Samuel. "I can see newcomers coming in and picking their spot." As for



Cullen's shopkeeper store in London's fashionable Fulham Road

Cullen's "I'm not sure new wine in old bottles will work, but I can see new wine in new bottles working well." Claxton, on the other hand, claims one of the strengths of Cullen's lies precisely in the positioning of its shops. He cites the well-known example of its showpiece in fashionable Fulham Road, which is in the centre of a well-off housing area in Hove, and claims that its outlet in Islington, north London, just round the corner from one of the newest Sainsbury's, is already turning over more than £500,000 a year.

"The majority of our shops are on or exceeding this target," he says. And he rejects the "old bottles" charge. Of the group's 39 new-style outlets, about 15 are on new sites. There are 20 more still operating in the old style, and the company does not intend to convert more than a handful of these, he says.

Sights have been lowered. The old target of 350 convenience stores by 1990 has been replaced by talk of a "substantial chain," where 70 were to have been opened by the end of the current financial year, the company now proposes 43.

An assessment of the prospects for British convenience stores, just published by Verdict Research, acknowledges that the general enthusiasm of a year ago has now faded to something resembling depression. However, says the report, the new mood is as "unrealistic as the euphoria which surrounded the emergence of these concepts."

Verdict says turnover in the sector, increasing from £165m in 1984 to an estimated £720m this year, will top £1.2bn in

1987. The true specialists like 7-Eleven will account for only 15 per cent of total sales this year and grocery shops which have altered their format will take 70 per cent.

However, Steve Webb, author of the study, insists the future belongs to the specialists. Confectionery, tobacco and newsagent (CTN) chains which have the sites provide legal foundations for true convenience stores, he says. "In the end multiple management techniques will beat the smaller men." Their advantages of buying power, centralised distribution, and high retailing standards will ultimately pay off.

"New entrants, especially from the CTN sector and the continued growth of the established multiples (7-Eleven, Sperrings, Mincebrook and Weston and Circle X/Zipin) will shift the initiative to the specialist sector by the end of the decade," the report concludes. ("Specialist" stores aim to satisfy a wide range of consumer demand rather than concentrating mainly on a particular line, such as groceries or CTN products.)

On this basis, the Cullen's strategy could further limit the group's prospects. Should the rumblings of upmarket newcomers in precision-targeted sites become reality, it might find the going even stickier. A clutch of "bloody good shops" might not be a bad proposition, but it is not what the management set out to hatch, and far from what the City expects.

Verdict on convenience stores, £225, Verdict Research, 54, Britton St, London EC1M 6NA.

US book retailing

An unseemly scramble behind the scenes

In the wake of the 1986 American Book Awards, Frank Lipsius examines the impact of discounting on publishers and sellers

AT A glittering dinner at New York's Waldorf Astoria Hotel, the American publishing industry this week got the news it had been waiting for: the winners of the 1986 American Book Awards.

The two \$10,000 prizes went to E. L. Doctorow, for his novel *World's Fair*, and to Barry Lopez for his non-fiction *Arctic Dreams*. For them, and their publishers, comes the double bonus of literary stature and lucrative sales.

The official objective of the awards is to promote the quality of literature—hence the decision to reduce the number of categories to two from the 23 of only a few years ago, when the judging seemed to celebrate sales more than words.

Yet the reality is that the ABA awards are even more of a sales promotion tool than they used to be. For, thanks to the arrival of mass discounting in the early 1980s, the \$7bn American book trade is now undergoing an unprecedented upheaval which has put publishers under intense pressure to produce blockbuster sellers, whatever their literary quality.

The traditional bookseller is suffering an even more vicious squeeze. With bookstore chains boasting hundreds of outlets and engaged in a price war among themselves, the easy old bookshop has little choice but to scramble for a diminishing share of the market.

Little of this unseemly scramble was immediately evident at Monday night's literary ceremony. The main speaker of the evening was George Will, a TV commentator and nationally syndicated newspaper columnist, who lauded the publishing world for providing an antidote to a world of instant TV news and 700-word newspaper commentaries.

The chairman of the ABA, Richard Snyder, who is also the president of a leading publisher, Simon & Schuster, did lift the curtain on commercial reality—but only indirectly. He said he hoped the very size of the prizes, as

well as the receipts of the awards themselves, would impress the world with the quality of the two books.

The modern American chain bookstore traces its origins to the founding of B. Dalton in 1968. Part of the Dayton/Hudson retailing empire, the company put bookstores in retail malls alongside women's clothing, fast food and children's stores. Whereas many other small merchandisers appeal to specific shoppers, whether for kitchen needs, athletic equipment or shoes, B. Dalton tries to have something for everyone. The company had its major growth in the 1970s, when mall shops cost \$10 to \$12 a square foot, half today's costs.

In its early days, Dalton's purchasing power provoked considerable resentment among New York's proud publishers,

whose salespeople had to troop all the way to Minneapolis to make their pitch to the all-powerful individual whose purchasing decisions dictate the company's sales throughout the US. But they were left with no choice—and the fruits of a successful sales campaign were enormous.

The chain has since grown to 791 stores, with sales of \$525m in 1985. In the process, it has taught other booksellers how to apply computerised distribution to a nationwide operation. Among other tools, the two dozen staff at head office in suburban Minneapolis use stock models for various types of location, based on detailed demographics within various distances from each store.

This determines which of the company's 150 categories of book are stocked by each store, and in what quantity.

Despite its "scientific" approach to the business, the chain was slow to adopt discounting. It tried at first to channel discount customers to a new venture, Pickwick Discount Books, in order to retain the full markup at B. Dalton. After three years, Pickwick was closed down, some of its units being turned into Dalton stores, while other discounters like Encore Books, Crown Books and Barnes & Noble have flourished.

Then, six weeks ago, Dayton-Hudson announced its plans to sell B. Dalton, acknowledging the impact of discounting on its profit outlook. Possible buyers at an anticipated price of \$150m to \$200m include Sears, F. W. Woolworth and Wal-Mart stores.

As Dalton has faltered—with pre-tax profits down to what analysts estimate to be \$21m in 1985, against \$36m in 1981—primacy in book retailing has been taken by Waldenbooks. Waldenbooks enthusiastically absorbed K. Mart's discount philosophy since being taken over by the mass market retailer in 1985.

Following Dalton's lead in computerisation, Waldenbooks has expanded to 1,000 stores and \$560m in turnover. It initiated free book clubs in stores to build loyalty with readers in four specific fields, including romance and mystery books. Besides a bi-monthly newsletter, club members get a 10 per cent discount.

Walden is also putting book departments in K. Mart stores which will be smaller than its own full shops, but will put even more emphasis on discounts. By the end of 1987 there will be over 110 of these Readers Markets, though only 17 exist today.

By pushing publishers to give Walden co-operative advertising and extra discounts, Walden is pushing the trend of fewer titles selling more books. This may please the commercial interests of some publishers but will increase their worry about quality—and the responsibility which George Will advocated at Monday's black-tie dinner.

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BY ALAN CANE

TECHNOLOGY: Computing

Engineering an end to the software nightmare

SOFTWARE ENGINEERING techniques are at last being used to help solve the data processing manager's biggest problem: the nightmare of maintaining and developing the vast legacy of software on which the data centre depends, but which may be poorly documented, creaking with age—and badly structured in the first place.

Most of this software is written in Cobol, or common business oriented language. This is the most popular commercial computer language,

chiefly because it was first rather than best.

As consultants Peat Marwick point out: "There are around 75m lines of Cobol code written throughout the world. Since it was introduced in 1960, Cobol has been written appallingly, satisfactorily and brilliantly. The problem is that much of it is old and costly to maintain."

"Maintenance" implies the development of new functions in an existing program

—or suite of programs—rather than repair. It is difficult and costly because computer software is complex and the authors of the original program may not fully have explained the structure and logic of their creation.

Why is it necessary, in any case? Because after a time software has to be updated to take account of new circumstances such as the acquisition of, for example, cheaper and more powerful hardware. One approach is to rewrite

the entire suite using computer programs which create computer programs—the so-called fourth generation languages (4GLs). Another is to re-engineer the existing programs to make them easier to develop and maintain. The Institute of Data Processing Management has carried out a study of the potential of 4GLs. Peat Marwick is offering a software re-engineering service. On this page, the pros and cons of differing approaches by these organisations is examined.

Two-piece toolkit for quick and cheap program rejuvenation

SCORES of firms in North America from Mellon Bank to Bell Canada, the telecomunications group, agree they have saved time and money using a technique called "software re-engineering" to solve their maintenance problems.

Mellon Bank, for example, compared the cost of rewriting its Cobol programs with the cost of re-engineering them and found rewriting would be thirteen times more expensive.

Bell Canada re-engineered a pay roll/personnel system comprising 33 separate Cobol programs and discovered the resulting system was 44 per cent cheaper to modify and enhance compared with the original.

Re-engineering is the name international management consultants Peat Marwick has given to a service it has developed for identifying weaknesses in existing Cobol maintenance programs and putting them in good order.

Available in North America for some years, Peat Marwick will be announcing the UK version of the service early next month. One of its first UK-based customers is Rank Xerox (UK). Some 66 Rank Xerox systems comprising 2.4m lines of Cobol code have already been analysed and the company is currently deciding which of its programs to put through the rejuvenation process.

In principle, software re-engineering is simply good common sense. Most of a company's investment in software is tied up in programs written in Cobol at least a dozen years ago and heavily patched and

modified since then.

These programs are poorly adapted to new technologies, unresponsive to new business needs, and tie up a company's best software brains in the unrewarding job of modification and maintenance. Over 70 per cent of data-centre running costs are associated with the maintenance of old Cobol programs.

What Peat Marwick offers is help to analyse the strengths and weaknesses of software, and then to put the program into a modern, structured format. It is well known that the cost of maintaining and modifying structured software can be as little as 25 per cent of unstructured versions.

What makes Peat Marwick's approach unique is the two software tools—Pathscore and Structured Retrofit—it uses to automate the entire process.

The tools have been developed by Peat Marwick over the past six years.

Pathscore is used to measure the quality of a company's software. It is a suite of programs which simulates the execution of a piece of software, testing each and every logical pathway within the suite. No test data is needed and the analysis is run on Peat's own Wang VS minicomputer rather than the customer's machine.

After the software has been put through its paces on this electronic testbed, Peat Marwick is able to say which programs are in good shape and which are rickety—it can also tell why this is the case.

The company says that for the first time a data processing manager can know for certain



Patrick Whale, right, and Jeremy Swift of Peat Marwick with output from the software re-engineering service the company is offering in the UK. The analysis is carried out on Peat's own Wang minicomputer.

the quality of his or her software.

Structured Retrofit is another suite of programs resembling a software sausage machine. A company's current, unstructured Cobol goes in at one end and structured Cobol, functionally identical to the original, comes out the other.

Mr Patrick Whale, the partner at Peat Marwick responsible for information systems, warns that it cannot make a silk purse out of a sow's ear. If the original program was badly designed, the structured version will also be badly designed, although in a much more professional way.

Structured Retrofit reduces the complexity of the code, improves the architecture and cleans up the language. The "Go to" instruction, much hated by structured programmers is removed wherever possible, for example.

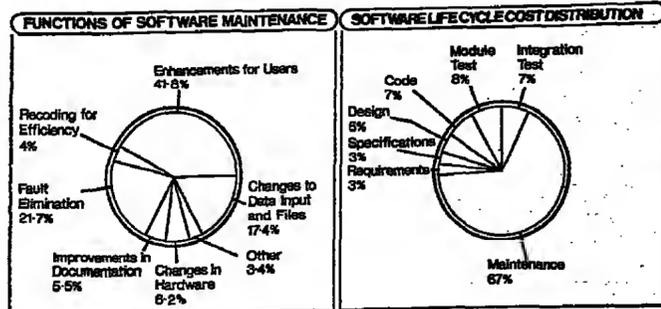
Mr Whale sees a variety of uses for these powerful software tools—Pathscore, for example, could be used to check the quality of commercial software packages.

Peat Marwick charges between £6,000 and £30,000 for processing software through Pathscore, depending on the number of programs involved.

Structured Retrofit will cost customers 30-50p a line of Cobol code, depending on the volume and complexity of the task.

This company is based in London on 01-236 8000.

A study by the National Computing Centre published earlier this month showed that 66 per cent of data centres use Cobol for some or all of their processing. Next most popular language is the Basic (24 per cent) with Fortran third (18 per cent).



Languages that translate into a data centre revolution

THE advent of fourth-generation languages (4GLs) heralds a computer revolution in which the principles of software development, built up since the beginning of modern data processing, will largely be abandoned to facilitate the best use of these new and very powerful tools.

This is the principal conclusion of a study* carried out by a 15-strong team of computer specialists from the major consultancies. Dr C. B. B. Grindley acted as chairman and the sponsor was the Institute of Data Processing Management (IDPM).

The study claims that the use of 4GLs will largely supersede that of third-generation languages during the next five years.

4GLs represent a stage in the evolutionary development of computing software. First-generation software was machine code—the representation of 0s and 1s as differences in voltage levels, which is how information is fed to a digital computer.

Second-generation systems used mnemonics to represent sections of machine code, a convention carried further in third-generation systems (like Cobol and Fortran) where English-like commands represented a whole block of machine code (and made programming a much less skill-intensive business).

4GLs are procedural languages—they tell the computer how to carry out its intended task. 4GLs, according to Dr Grindley and his team, are non-procedural; "They are suitable for describing what is to be done, but not how it is to be done by a computer."

Once the characteristics of

the job have been described using the 4GL, the machine code is generated automatically. 4GLs are thus a giant step on the way to the "software factory."

Over the past two years, data centres have become increasingly aware of the potential and use of 4GLs. The IDPM study notes: "We found that some 45 per cent of UK installations appear to be making significant use of 4GLs today."

"The number and variety of 4GL products began to increase substantially at the beginning of this decade. . . . We found that a further 30 per cent of UK installations are planning to use 4GLs in the near future. Within two years we would expect over three-quarters of computer installations to be employing the technique."

Dr Grindley says the study shows that 4GLs are no nine-day wonders, but a development likely to have a revolutionary impact on data centre management.

Most of the principles of systems development built up over the years would have to be abandoned to use 4GLs effectively. The idea of the "system life cycle," for example, with its set stages of justification, requirements specification, programming, implementation and maintenance is not suited to 4GL work: "We found it was frequently replaced by a continual process of incremental development in which the five stages become indistinguishable from one another."

The study found there were dramatic effects on the organization of data processing departments: "The separation of systems development staff into analysts and programmers is usually abandoned. We com-

monly found only one grade of staff called 'analyst/programmer.'"

There was also evidence of improved programmer productivity—a key objective in today's data centres: "This varied from a two-fold gain over languages such as Cobol when using 4GLs which have some characteristics of procedural languages (telling the computer exactly what to do) to a 20-fold gain using pure 4GLs (specifying only what has to be accomplished)."

As 4GLs improve over the next five years we found installations expected programmer productivity to rise from the present average of a 2.4-fold improvement to an average 6.5-fold improvement."

Dr Grindley reports that companies with experience of 4GLs found it economically sensible to consider re-writing their systems rather than maintaining and patching the existing software.

Where 4GLs had disappointed, they had frequently been used wrongly—treated as though they were a third generation language, for example. "4GLs are not effective if they are used in traditional data processing environments, created for developing computer systems with procedural languages. Major changes in organization and methods are required," the report says.

Most significantly, the report suggests 4GLs will enable closer links between corporate strategy and corporate computer systems: "The users of computers will be less beholden to experts and will become responsible for their own systems development."

* The Grindley Report IDPM, 1986, £30.

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Lotus spreads its UK range

LOTUS Development Corporation, the world's largest independent computing services company, will from next week begin selling in the UK a companion product for its best-selling 1-2-3 integrated spreadsheet. This new offering, HAI, should decisively secure the company's commercial position.

Lotus pioneered the integrated spreadsheet, a software financial planning aid with built-in file manager and graphics.

The perspective New York-based stockbroker PainWebber has consistently tipped Lotus as its strongest investment recommendation, based on the staying power and market leadership exhibited by 1-2-3. PainWebber's software analyst Guy Monash and Robert Therrien noted recently, however: "Our optimism on Lotus is further enhanced by its moves beyond its 1-2-3 base."

There are various companion products of which the best known is HAI; it alone could generate 10 percentage points of revenue growth in 1987.

And so it could. It is an excellent addition to the 1-2-3 stable and one which should bring in a fair number of new users as well as tempting back those who had abandoned their copies of 1-2-3, fearing they would never master the intricate series of commands necessary to make it perform well.

HAI is, in fact, the "front end" that 1-2-3 should have been supplied with first time round. It has a fairly broad vocabulary of English words and phrases which take the place of the tortuous keyboard commands 1-2-3 demands of its users.

The system can be "taught" words of the user's own choosing, but HAI is not an example of artificial intelligence (human-like judgments from a computer). It relies on very high quality programming to translate some 2,000 business words into spreadsheet operations within an overall size of 250,000 bytes (characters) of storage. HAI costs £120.

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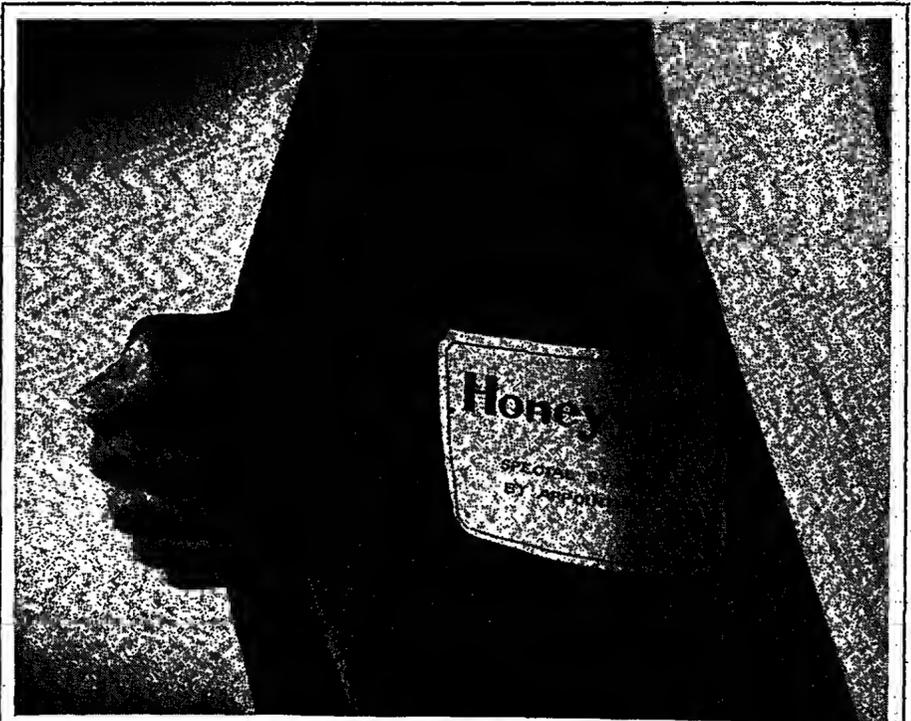
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THE ARTS

Julius Caesar/Young Vic

B. A. Young

David Thacker has directed Julius Caesar on a plain stage with no furniture but some wooden benches and occasional maps or cups of wine. The common people who play such an important part in this play, usually speak from lofty platforms built around the circle, save in the magical scene where they tear Ciana the poet for his bad verses, or where they have been enlisted into the armed forces. They are then armed with cannon, heard off-stage, and muskets, which they inexplicably reserve to shoot young Cato. In the rest of the fighting they stick to their spears, swords and daggers. They are dressed by Peter Thompson as Puritans. Caesar is represented as King Charles I.

This is David Thacker's attempt to make Caesar a genuine monarch, strong and dignified despite his "falling sickness," and the conspirators the Cromwells, embarking on a proper crusade against the excess power of the monarchy. It works very well; indeed, I don't know when I have felt the play's argument come over so clearly as it does in this production. Peter Ellis is indeed a kingly Caesar, if little taller than Charles I — dignified and courageous. He is matched by an excellent Brutus, in which Corin Redgrave gives the best performance I have ever seen from him. It is not only he who suggests the kind of straightforward political feeling that Cromwell must have shown, but he speaks the lines with a sensitivity that glows from every line. When Cassius asks him if he

The Pied Piper/Olivier

Martin Hoyle

Visually, this Pied Piper retold by Adrian Mitchell for six-to-eleven year-olds is smashing. Roger Glosop's opening set is an Emmet-like section of ramshackle stalls bristling with broia-brac, chemical reagents, toys, cakes and con-juro's props, all dominated by a rickety clock-tower complete with turning wheels and repeatedly disgorging a rat instead of a chicken. Sally Gardner clothes the burghers of Hamelin in bright cartoon costumes with a dash of the pantin and the circus. Outstanding are the clown-faced potter seller of John Derrell and Richard O'Callaghan's top-hatted Uncle Sam of a magician (though he turns out to be Australian). Sylvester McCoy's Piper bursts from a cake in vividly-hued coat and yellow hat. Wendy Morgan's crippled waif actually welcomes us to what she calls Hamelinville with the opening lines from Browning's poem. Later, descriptive verses are shared, in the first person, between rat-harassed citizens. Otherwise, the poet is present only in the person of



Sylvester McCoy

Bobby Browning, cub reporter, personified by Elaine Jordan in natty male suiting and fashionable sexual indeterminacy. Much of the show seems aimed at the children's elders. Apart from the clumpingly contrived joke about a spell-victim who prefers remaining a monster to returning to his human form as a primary-school teacher, the play is a delight. Mr Mitchell and his composer, Dominic Muldowney, a confirmed Well man, were out to produce a junior Brecht-Weill musical. This is most apparent when the downtrodden skivvy sings a song about her guzzling, plutocratic employers in which hatred alternates with lyrical revenge fantasies; and one expects that ship with black sails to loom up on the horizon at any minute. We get a lively rumba for the Piper when the company twitches hypocritically into a patter song and dance routine; the seductive "Gorgonzola moon" to which the rats plunge into the river (fluorescent blue and green ribbons stretched across the front of stage); and a tongue-twisting rap for the inimitable McCoy and Miss Morgan who also manages the odd beck-somersault, madcap, teacher's pet and perfect workmanhood crowned in the prestigious yearly competition provide a unique panorama of French academic life. Ecole Nationale des Beaux Arts, 11 Quai Malaquais, closed Tue, ends Dec 14 (4236 0294).

Frenches Boucher: the 36 paintings and 25 drawings of his first major retrospective re-creates the pastoral world he prospered with voluptuous goddesses and shepherdies. Pre-nude Fatale du Roi, a favourite and friend of Madame de Pompadour. Boucher personified the lightest-

Galleries/William Packer

Art from the earth

Concurrent with the superb Rodin exhibition downstairs, the exhibition of large relief sculptures by the Boyle family, Beyond Image, which fills the Upper Galleries of the Hayward (until January 25), deserves a visit on its own account. Mark Boyle and Joan Hills have been together for some 30 years and in all that time their work has been variously collaborative. And as their children, Sebastian and Georgia, have grown to maturity, so they too have become active, creative partners in what was always the family firm.

Through the late 50s and 60s Boyle and Hills were engaged in all kinds of performance and body art, happenings and installations, but in 1969 they embarked upon that journey to the Surface of the Earth which was one way and another, occupies them still. The subject and material of their extraordinary relief sculptures have been in principle the same — the ground immediately beneath their feet, just as it is.

The few square yards to be examined, treated and transformed are established, and then everything within them, every speck and grain, scrap and desert, is reproduced in the most minute detail. On the purely technical level each one of these works is an astonishing tour de force. For it is hard to believe it cannot be the actual stuff of earth, metal, stone. There is the deeply rutted mud of the lorry park to the very life, or the broken-down remnants of the garden path through the demolition site, or the cliff face. The Boyles' amused response to our incredulity is to tease it further with a private joke by incorporating at least one small element of the actual matter in each finished

place. For a final twist, they even occasionally forget which it is themselves. The overall fidelity of colour, surface and visual weight is quite remarkable. All very clever, but what is the point? — which is the stock critical response to all trompe l'oeil, and all the more so the more brilliant it is, for we hate to have our senses tricked and challenged in this clever way. But a truer and more thoughtful response must lead us to the other way. We should allow our physical senses to take up the challenge, to test their reality against the illusion, and then test the illusion itself as a function of reality. We look at these remarkable and often extremely beautiful objects which the Boyles put on the walls, though the image may be mere mud, and we begin to consider them for themselves, on their own terms. Then we realise how they have been found that there too it is extraordinary and beautiful. Our senses have been sharpened, and our experience of the real world and awareness of our own mortality, which is what art is, is a good test of true art.

The Dulwich Picture Gallery, which houses one of the most remarkable collections of old masters in the country, contains a series of occasional exhibitions of near-contemporary art with a retrospective study of the work of the painter and illustrator, James Pitton R. A. who died at his home in 1766. The show is split by his two rooms between the paintings and the graphic work, which makes a contradictory point: for it makes it very clear that both aspects were expressions of a single artistic sensibility, and that the painter stood in that tradi-

tion of rather decorative and anecdotal work of the 18th and 19th centuries, which has been so strong a feature of British art in recent times. One thinks of Eric Ravilious (whose work comes to the Crafts Council Gallery in the New Year), Edward Bawden, Edward Ardizzone, Ruskin Spaul, Carol Weight, and David Hockney, none of whose integrity is compromised or qualified by commercial and applied activity. So it is with Pitton, and it is an especial delight to be reminded here of how subtle and unstrained an observer he was — of the figure, the domestic interior and the street life of the city. The show continues until January 4.

The treasures of Fyrie were shown at the Edinburgh Festival of 1985, and now a selection of the paintings in the collection has come to Agnews (until December 13) under the aegis of the Scottish Tourist Board and the National Heritage Memorial Fund to raise money for Scotland, which acquired Fyrie Castle and its contents in 1984. Agnews could hardly be more nicely placed to act the hosts, for it was through the Gallery that Alexander Fyrie's collection was bought by the National Trust in 1988, subsequently put together the greater part of his fine collection of British 18th and 19th century paintings. Here they are again, the Reynolds and Raeburns and other names — though you must go to the Tate, to the current Scottish exhibition to see the Queen's collection, Raeburn's exquisite Mrs. Cragie, but the undoubted star of the Agnews show is in the gallery for the first time; the dashing Colonel William Gordon, painted full length by Batoni in Rome in 1766, came to Forbes-Leith with the castle.

Philharmonia/Festival Hall

Andrew Clements

In the past year Markus Yansons has claimed the attention of the larger British musical public with his fine cycle of Chaikovsky symphonies recorded on the Philips label. The recordings were made with the Oslo Philharmonic of which he is principal conductor; he is also associated with the Leningrad Philharmonic, as deputy to Eshenko, and it was with an excellent orchestra of all-Russian programme that he came to the Philharmonia on Tuesday evening. Even in Prokofiev's over-exposed Classical Symphony Yansons found interest, grabbed attention by his meticulous pointing of the first movement and the Gavotte, gave grace and spaciousness to a piece that is so often straggled off as an

undemanding concert opener. His accompaniment to Chaikovsky's Rococo Variations was similarly studied with felicitous delicacy pointing the woodwind solos, keeping the string textures frothy and alive. Robert Cohen's solo playing was less engaging; the rubato tended upon every phrase was self-conscious, and his cantabile never approached that of his partners in buoyancy and charm. Philharmonia adapted nimbly to Yansons' demands. He favours abrasive, rough-hewn sonorities, without a hint of bland homogeneity. In most hands Rakhmaninov's Second Symphony is muddled in its grand, undulations, cushioned on swaths of honeyed tone, but here, while the climaxes were invariably weighty, they always preserved their component strands as individual lines imprinted with distinctive character. Details were to be savoured in each movement. The strings of the introductions were positively tremulous in their excited expressivity, the development of the first movement unrelentingly dark and beautiful tone colours. The scherzo was driven with the Adagio spun out of translucent webs of lyricism. The marginal uncertainty that marked some of the orchestral playing at the opening had fallen away entirely by the finale; the opportunities for self-indulgence in this symphony had all been comprehensively passed by, and the point of the last movement could be pressed home with unfamiliar directness.

SWRB celebrates its 40th anniversary

The Sadler's Wells Royal Ballet celebrates its 40th anniversary of its founding under the name Sadler's Wells Theatre Ballet next January with performances at Sadler's Wells Theatre of Frederick Ashton's *Voiles nobles et acrobatiques* and *Capriol Suite*. Voice nobles, to music by Ravel and designs by Sophie Fedorovitch, was first performed in 1947 and last seen in 1984. *Capriol Suite* was created by Ashton for the Rambert Dancers in 1950, but mounted for Sadler's Wells Theatre Ballet in 1948. Designed by William Chappell with music by Peter Warlock, this was last performed by SWTB in 1961.

The rest of the programmes on January 2 and 10 will be MacMillan's *Solitaire*, in the original designs by Desmond Healey, and Cranko's *Pheasants*. Two new ballets will be premiered on January 15 — by Jennifer Jackson and David Bintley, and other ballets performed during the season include *The Snow Queen*, Coppola, de Valois' *Cheekmate* and Staff's *Peter and the Wolf*.

Arts news in brief

Peter Williams and Barry Wordsworth. The silver trophy, commissioned from silversmith Michael Bolton, will be presented during the SWRB's Christmas season at Sadler's Wells. The Scottish Chamber Orchestra has appointed Jukka-Pekka Saraste its first principal conductor. He takes up the post in June next year.

Arts Guide

Exhibitions

PARIS: Retrospective exhibitions in Geneva, Paris and London. In Geneva, the artist's work is shown in a retrospective exhibition in the Grand Palais, closed Tue, ends Jan 12 (4256 0294). In Paris, the artist's work is shown in a retrospective exhibition in the Grand Palais, closed Tue, ends Jan 12 (4256 0294). In London, the artist's work is shown in a retrospective exhibition in the Grand Palais, closed Tue, ends Jan 12 (4256 0294).

WEST GERMANY: Munich, Neue Pinakothek: King Ludwig I as a collector. A photographic exhibition commemorating the 200th anniversary of his birth. Ends Nov 23. Hamburg, Kunsthafen: Ferdinand von Saxe-Altenburg. A series of paintings and drawings for which British artist Frank Auerbach won the Golden Lion award at the Venice Biennale this year. Thirteen of Auerbach's earlier works will also be on show to give a view of the artist's development and tradition over 30 years. Ends Nov 30.

BRUSSELS: Ingres and Delacroix — Drawings and watercolours. Palais des Beaux Arts. Ends Dec 21. Cluses, France: The Transitional Period. Musée Royal d'Art et d'Histoire. Ends Dec 14. Opalescence: glass from 1920-1930. BBL Place Royale. Ends Nov 28.

NETHERLANDS: Amsterdam Historical Museum. A collection of 19th-century French drawings and watercolours providing a cross-section of the styles and themes of the period, from the veneration of the Napoleonic legend to exotic Orientalism and the Italian picturesque. Ends Jan 4. Larsen, Singer Museum. Recent prints by more than 100 Dutch artists. Ends Dec 14.

NEW YORK: Reneo Carnegie Hall. While Carnegie Hall is being renovated, the exhibition space at the Performing Arts Library at Lincoln Center honours the versatile venue with original architectural drawings and cutaway models along with a tribute to violinist Isaac Stern, president of Carnegie Hall, and memorabilia like the original programme of 1891 and other programme covers.

CHICAGO: Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, sketches and building fragments expressing his use of ornament. Ends Dec 11.

TOKYO: El Greco: 50 oil paintings, part of the Matsuzaki collection. National Museum of Western Art, Goto Park, one of Tokyo's few large parks. Several national museums and Tokyo's main concert hall (Tokyo Bunka Kaikan) are in the vicinity. A day's museum-hopping can be pleasantly divided by refreshment at one of the park restaurants. Ends Dec 14. Closed Mon.

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Wildfire/Phoenix

Martin Hoyle

To Polonius's list of theatrical categories we must now add the "detective-psychological." This usually takes the form of an extended dialogue between investigator and investigated, the latter quite often ill, criminal or simply unbalanced. The investigator frequently ends up as enriched by the experience as his patient/subject/victim. Equus has a lot to answer for.

The latest in this genre of probing for something nasty in the woodshed deals with an attractive young career woman who burnt her house down with her father in it. She also has delusions about being Jenn of Arc, a trifle unfairly since her father would seem better qualified for the role. This incendiary drama is appropriately played out in the woodshed, the dramatic fire gutters itself.

American N. Richard Nash (author of *The Reawakened*) depicts the relationship of the reformed Bess Garrison and the law-court psychiatrist, David Benjamin. She is a devout Christian, he a lapsed Jew. Robert Bryan's lighting occasionally plunges the interview room and cell into darkness against a background of Gothic arches, and we hear medieval French song and glimpse a blond figure with what used unkindly to be called a village idiot haircut in Fibreglass armour.

obtained a verdict of temporary insanity and donned a chic black number for her trip to the funny farm, she has (he claims) opened new vistas for him as well. Literate and intelligent middlebrow theatre is rare these days, but this writing seems churned out to a basic formula. Attempts are made to flesh out the young psychiatrist with philanthropic ideals; he is set against another cynical soft-centre in the assistant DA (the figure is so peripheral and sketchy one wonders why Mark Wing-Davey bothered). And not even a touch of backroom legal dealing breathes life into

the defence lawyer whom David Healy plays with almost innate affability, apparently under the impression that he is still a rollicking oddball in *Gays and Dolls*. The raison d'être of Peter Wood's production is Diana Rigg. Robust, suave, Rabelaisian and haggard by turn, her Bess is a commanding presence. Scarcely stretched by the role's demands, Miss Rigg is wryly witty, but somehow unconvincing in the throes of spiritual self-discovery. As Benjamin, Kevin McNally suffers from being smaller than his glamorous patient. His drowsy performance does nothing to redress the balance.



Diana Rigg

Interrogations/Sadler's Wells

Clement Crisp

London Contemporary Dance Theatre, installed at Sadler's Wells for its autumn season, offered three works new to London in its opening programme on Tuesday. They revealed, of course, the strengths of the company — creative variety; strong ensemble — but also a reliance upon formulae which gave the evening something of a déjà vu air. Each of the three choreographers — Christopher Bannerman, Siobhan Davies, Robert Cohan — has, I feel, done better work in the style of the pieces on view.

age. It is perfectly pleasant; there is good design by Andrew Storer and a rather less engaging score by the group Man Jumping; but the sum effect is not memorable. About Siobhan Davies' *The Blue to Earth* I reported on its Oxford premiere in February. It looks broader now than then, more drained of energy. A programme note speaks of tensions between a central couple whose behaviour is reflected and guided by an attendant chorus. What was seen is a gently moving set of pendant cloths against which the dancers interact in "desultory fashion." Miss Davies' fine-honed style has given us more perceptive, more acute things than this.

Robert Cohan's heavy-weight piece at the end of the evening is entitled *Interrogations*. It is cast in the expressionistic vein of *Stages* or *Cell*, and against a complicated set by Antonio Legato (great panels of sheet metal; scaffolding; a cypress tree in a wooden frame; ropes and pulleys) we are party to a dream sequence in which images from Hamlet's "To be or not to be" soliloquy whir in surreal fashion round Darshan Singh Bhattar. Cohan's strong sense of theatre drives the action along and, I imagine, carries the audience with it, until the finale amid strobe lighting when Mr Bhattar hangs and swings from a vast white cloth. Various characters, hideously garbed, impinge upon Mr Bhattar's nightmare, chief and most impressive among them Patrick Harding Imer as a Guardian, who may be Hamlet's father. I wish I felt though, that as with the better nightmares, there was some relevant matter to be gleaned from its inconsequentialities.

Weber/St John's, Smith Square

Max Loppert

Weber was born two hundred years ago on Tuesday. In London, only the Hanover Band centre rest on Tuesday. The band marked the anniversary date, and not many people came to hear it. Weber, a composer loved by most musicians, tends to be ignored by the general public. This is one of the sad consequences of musical life. There may be a reason behind it — Weber's concert works (including those for solo piano) date mostly from his premature period. But even so, they deserve to be heard and enjoyed far more often. The fact that the main Romantic roads lead both forward and back to him is only a small part of the pleasure.

The Hanover Band is one of London's authentic-instrument chamber orchestras, directed by the excellent Sir Neville Martinson. In the Abu Hassa Overture and then in the first movement of the Second Piano Concerto, the line between period flavour and technical incompetence was dangerously thin — with so many flaws of ensemble and rhythm the irresistible showmanship of the young Weber was hard to recognise. But the slow movement of the concerto, that "loose collection of Romantic technique" (John Warrack), began to turn the trick; the soloist, Melvyn Tan, showed here a sympathetic command of the forte piano and a gentle, pianist sense of phrasing. There was a lack of glitter in the

instrument might not an early-18th-century concert grand (such as an 1820s Erard) be more authentic. Mr Tan was also the forte-piano soloist in the rare Adagio and Rondo (1811) for harmonica-chord (an extinct early 19th-century keyboard instrument, largely replaced by the piano) and orchestra — a most beautiful working-out of a familiar formula, with one Rondo variation episode that blows operatic clouds (and some dramatic muffled drum beats) across an otherwise untroubled landscape. The programme closed with the First Symphony, not virtuosic enough in execution but not bad enough to spoil the enjoyment. The reason could fairly be applied to much of the concert.

Saleroom/Annalena McAfee

Thinking big

Benjamin West's huge oil painting "Alexander the Third, King of Scotland, rescued from the fury of a stag by the intrepidity of a unicorn" fetched a record price for the artist at Sotheby's sale yesterday of British Paintings 1800-1850. Matthew Fine Art, the London dealers, paid £250,000 for the painting, which, at 145 by 205 inches, is believed to be the largest canvas ever to come up for auction in London.

£170,700 to raise money for a foundation for music students in Israel. In New York, Sotheby's two evening sales of Impressionist and modern paintings on Tuesday produced exceptionally good results with 11 works selling for more than \$1m (£702,740). In the first of the two sales, Impressionist and Modern Paintings and Sculpture, a European dealer paid £2,427,586 for Renoir's "La Coiffure," representing a record price for the artist. Another Renoir, "Deux soeurs," painted in 1895, was bought for £1,965,517 by an anonymous buyer.

Thomas Gainsborough's "Wooded landscape with peasants in a country wagon" was bought by £288,000 by an anonymous bidder. Competition was keen for Reynolds' portrait of William Charles Colyear and pushed the price up to £242,000 from an estimate of £50,000-£80,000.

A record price for a Henry Moore sculpture — £1,213,730 — was paid by a private US buyer for a bronze reclining figure "Festival" which had been commissioned by the Arts Council for the 1951 Festival of Britain. The Whitney Museum in New York paid £379,310 for Alexander Calder's sculpture "Orange Ball" — £1,213,730 — was paid by a private US buyer for a bronze reclining figure "Festival" which had been commissioned by the Arts Council for the 1951 Festival of Britain. The Whitney Museum in New York paid £379,310 for Alexander Calder's sculpture "Orange Ball" — £1,213,730 — was paid by a private US buyer for a bronze reclining figure "Festival" which had been commissioned by the Arts Council for the 1951 Festival of Britain. The Whitney Museum in New York paid £379,310 for Alexander Calder's sculpture "Orange Ball" — £1,213,730 — was paid by a private US buyer for a bronze reclining figure "Festival" which had been commissioned by the Arts Council for the 1951 Festival of Britain.

ECONOMIC VIEWPOINT

There must be a better way

By Samuel Brittan

This article is adapted from the preface to the second impression of the book...

MOST OF the specific problems discussed in this book, which first appeared in 1983, are still very much with us.

The main thread linking the various topics discussed is the carrying effect of interest group pressures on the moral legitimacy, practical effectiveness and, ultimately, the very stability and sustainability of the economic system.

In at least three new and subtle forms of interest group conflict have added to the problems discussed in the first edition.

Interest groups work by co-ercive pressures in the market place and by lobbying for legislation from government.

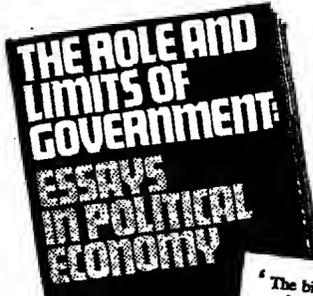
shortfall of US savings below domestic investment...

The US political leadership is, however, unwilling to trust to these domestic correctives and presses for direct action either through exchange rate changes or through direct import controls.

In Britain, as in most of Europe, the structural weakness is not in the savings-investment balance, but in the labour market.

The big change here between the early and later 1980s is that in the more recent period it has seemed to be the employers rather than the unions who have made the running in the labour market.

But at the end of the day, one must always be realistic about the view of many employers that they have to pay current wage increases to retain a properly



The biggest mistake of the hard-boiled cynic is to underrate the role of moral legitimacy in human action...

pose simple reforms would eliminate the above problems. Property and land have always been expensive in capital cities from Imperial Rome onwards.

But having rejected policies for starving the unemployed back to work, it would still be desirable for people on the dole to be able to earn something extra in a legal way without losing all their social security entitlements.

The second alternative would be a "social dividend" for all households, irrespective of earnings and with no taper. It would enable people who are content to live on a conventional subsistence scale to do so.

Notably, citizen shares are more clearly property rights and less liable to every gust of the political wind than any pay-

ment from the social security system. The link with the return from capital is much clearer, and if it were successfully achieved there would be no further grounds for radicals being opposed to profits or worrying about an increase in their share of the national income.

The benefits of a "modest competence" were enjoyed by the members of the propertied classes of the 18th and 19th centuries, such as those who figured in Jane Austen's novels.

These matters are not digression from unemployment but central to the problem. Classical economists who rightly argue for market rewards as factors of production usually fail to face the problems of those whose work has a low market value.

The biggest mistake of the hard-boiled cynic is to underrate the role of moral legitimacy in human action. Without some kind of view about the rule-constraining the pursuit of self-interest no human organisation could function—a truth attested by the saying: "There is honour among thieves."

It is hardly surprising that men and women have found it difficult to evolve appropriate notions of legitimacy for the mass national and international society in which we live.

There must be a better way; and those of us who deal in words and ideas have some duty to pursue it, rather than to be time-serving followers of a public opinion which is rudderless without a lead.

Lombard Don't be gulled, Mr Nakasone

DEAR MR NAKASONE,

What is happening to Japanese economic policy? For decades, Western economic nostrums were studiously ignored in Tokyo and the Japanese economy performed magnificently—so much so that your citizens are now richer than President Reagan's.

Take the issue of tax reform. Mr James Baker appears to want you to model a new system on the reforms recently announced in Washington. Don't be gulled; the reformed US system (as almost any serious US academic will confirm) is far from ideal and is in many respects inferior to the existing Japanese code.

The silliest thing Japan could now do is to introduce Western style double taxation of savings. Your present practice of relieving from tax much of the interest on savings made out of taxed income is not discriminatory. It simply fails to penalise those who are willing to defer consumption. The result has not been "excessive" saving, merely sufficient saving to finance rapid economic growth.

If you think tax reform is worth the effort, heed US academics rather than US politicians and become the first industrial country to introduce an "expenditure tax." This would mean granting all forms of saving tax relief and equalising the pre- and post-tax returns on every kind of investment.

socially-divisive cuts in personal tax rates urged by its own history—than by Western rhetoric. Is it a coincidence, Mr Nakasone, that the UK and the US both have weak, uncompetitive industrial sectors and overgrown and unruly financial centres? If an open and "free" financial sector is so important, how did Japan manage so very well without one? How does West Germany manage today? The last thing you want to do is create a Wall Street in Tokyo. It is better that the cream of your youth faces up to real engineering and scientific challenges than the artificial, and often socially useless, financial puzzles spawned by competition between securities houses.

Financial deregulation is the other issue on which Japan should be guided more by its own history than by Western rhetoric. Is it a coincidence, Mr Nakasone, that the UK and the US both have weak, uncompetitive industrial sectors and overgrown and unruly financial centres? If an open and "free" financial sector is so important, how did Japan manage so very well without one? How does West Germany manage today? The last thing you want to do is create a Wall Street in Tokyo. It is better that the cream of your youth faces up to real engineering and scientific challenges than the artificial, and often socially useless, financial puzzles spawned by competition between securities houses.

Of course, you may reply that Japan understands very well the importance of not letting the financial tail wag the industrial dog and that it can see the flaws in the US tax system. The only reason for agreeing to these retrograde changes, you may argue, is to appease the Americans and attempt to head off the even more damaging prospect of heavier protectionism.

This is a fair rejoinder, but it overlooks two things. First, as America's banker and creditor, you have more power than you yet appreciate. Second, the key to good trade relations probably lies in exchange rates. Rather than adopting sub-optimal tax and financial policies, you would do better to try to forge an east Asian currency zone akin to the EMS. You might then be able to exert more influence over the exchange rates of your neighbours such as South Korea and Taiwan and ensure that when the yen appreciates they too rise against the dollar. Grasping the currency nettle more firmly makes more sense than throwing a spanner in your own industrial works or aping the Anglo Saxons.

Yours sincerely, MICHAEL PROWSE

On their toes

From the Financial Director, John Toms

Sir,—Your leader "Toothless Bill on product liability" (November 18) showed very clearly why the engaged in manufacturing industries in the UK feel that their problems are not understood or, if they are, are being completely ignored by the media.

What further action can he be expected to take other than gazing into his already clouded crystal ball?

I believe that your conclusion is unreasonable, even for the more multi-national companies. How much more reasonable, therefore, for those thousands of smaller companies, without the spare staff to monitor every scientific advance in the world? These companies are already struggling to cope with the complexities of PAYE, NHF, VAT, SSP, Health and Safety Executives, Government statistics and many more profit-draining burdens.

To suggest that manufacturers require "keeping on their toes" is absurd and frankly insulting. It is only the remaining 20 per cent of the UK economy were as "on its toes" as the 80 per cent that actually produces something!

Liability for products

From the Chairman, National Consumer Council

Sir,—I agree with almost everything you said in your editorial "Toothless Bill on product liability" (November 18) except for the headline. The NCC supports the Bill and does not think it toothless. It will make manufacturers strictly liable for many defects in their products and it will make claims by consumers easier.

But you are right to say that the "state of the art" defence must be removed. I have criticised the Government for allowing this defence and will continue to do so. It is clear that there is little problem in insuring against product liability risks, including development risks. We believe it is

Letters to the Editor

right that manufacturers should insure against the risk of passing it on to the individual consumer who cannot.

I do, however, take issue with you on one point. It would not be right for the UK to impose a heavy limit on compensation. This would mean that compensation could not be awarded until all claims had been calculated and would impose unacceptable delays on those suffering as a result of unsafe products.

Nothing like trying

From Mr D. Marx

Sir,—I am surprised that John Lloyd, in his article (November 17, Monday Page) makes no mention of Alexis de Tocqueville's observation that liberty is a habit that is hard to prove incompatible. Tocqueville's track record in other respects is pretty good. He deserves serious consideration here as well.

There's always a market

From Mr C. Smedley

Sir,—John Lloyd argues (Nov 17) that liberty does not consist merely in the absence of restraints (usually defined as restraints of the state) but in the positive possession of "positional" and economic goods. He misses the point. The ownership of goods is not liberty nor confers liberty upon the owner. You cannot have degrees of liberty dependent on ownership. The right to own, or not to own, goods is, of course, part of a liberal society. Due to preferences, enterprise and judgment members of a liberal society have different "positional" and economic goods. The ownership of these goods is not state as Mr Lloyd implies in his article but ever changing in accordance with the normal economic activities of man.

The unemployed shipyard worker in Gateshead, used as an example by Mr Lloyd, who is free to send his son to Eton but who cannot take advantage of this freedom does, in a liberal society, have more important freedom of which he cannot avail himself. He can, for instance, sell his labour to the

Focus on design

From Mr P. Gorb

Sir,—My work has involved me over the last few years with most of the leading design consultancies in London. There are a number of issues which arise from Peona McEwan's article (November 18) which have been regularly discussed between us over the years, and which need clarification. The first is to stress how few publicly quoted companies there are in this field. The financial performance of a handful of them does not necessarily represent the hundred or so very vigorous consultancies which are perhaps less well known to the City.

Revenue from roads

From the Director, Society of Motor Manufacturers and Traders

Sir,—Mr Bradshaw (November 4) tells us that analysis can wait: in other words, act now think later. He seems to believe that road users are a privileged class with a featherbed of state subsidies. True, certain bus services are subsidised, as railways are, because Government takes the view that it is socially desirable for them to continue. But does Mr Bradshaw seriously suggest that transfer of bus subsidies to the railways would be beneficial for public transport users in general, or would make a noticeable difference to the comfort of rail travel? I doubt if many bus passengers or rail commuters (especially in the London area) would agree.

New landing system for Heathrow trials

A Plessey P-SCAN Microwave Landing System (MLS) has been installed at London Heathrow Airport by the UK Civil Aviation Authority.

The system will be used for trials within the programme by the International Civil Aviation Organisation (ICAO) to gain experience of MLS in a busy airport environment. This forms part of an extensive UK technical and operational evaluation of MLS.

STANDARD APPROACH

MLS is scheduled to become the preferred ICAO "standard approach aid" in 1998. Two Plessey P-SCAN systems have been delivered to the

ment task is dealing with the radical nature of the business. This is an incredible amount of the requirement placed on principals to move away from marketing to implementing roles and back again to marketing. It is not a satisfactory way of doing it if it does most clients needs.

As the article indicates, the focus is shifting even among the major consultancies. The industry is inevitably going to change along the lines that Wally Oates suggests. There will also be a very vigorous resurgence of specialist design activities arising from new technologies and the increasing rate of change in the service sector.

This is particularly true of the corporate identity and environmental design work which is taking place in the City. As an outcome of Big Bang much of that work is going to need to be redone a few times before that revolution is over. The increasing rate of growth in leisure-based activities is going to create wholly new markets for designers. In this context derating by the City is irrelevant. It is an opinion that the design industry is on course for an even bigger bang.

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PLESSEY HOTLINE PLESSEY H

System X celebrates 2 million lines accepted

To mark the acceptance of two million telephone exchange lines of System X, Plessey and GEC have presented a gold plated System X line card to British Telecom.

A further two million lines are currently being delivered by Plessey and GEC. These four million lines so far supplied to British Telecom represent 20 per cent of its planned replacement of the UK's public telephone network. During the last twelve months, in the UK alone, orders have been placed for 2.2 million lines of System X putting it third in the world-ordering league table for digital public switching.

EXPORT MARKET

Plessey and GEC are working closely together to win System X orders in the export market. Opportunities are being actively pursued in the Far East, Middle East, South America and the Eastern Bloc. Plessey recently made telecommunications history with a live demonstration of two



Mr Ron Lilley left Plessey Major systems chief executive, and Mr Tony South centre managing director of GEC's Telephone Switching Group, make their joint presentation to Mr Clive French, British Telecom's managing director for Engineering and Procurement.

E2m ISDX network for Oman

A E2m communications network to link the air, land and sea forces of Oman is to be provided by Plessey, following nine months of negotiations. The network will employ several inter-working Plessey ISDX exchanges involving some 6,000 telephone lines, with the possibility of further exchanges when the network is expanded. The contract is the biggest of its type won by Plessey in the Middle East. It will involve Plessey engineers in its installation and maintenance.

WAVELL READY FOR RHINE ARMY

System X digital telephone switching systems operating over thousands of miles, enabling all the facilities to be demonstrated in visits to the Plovdiv Trade Fair in Bulgaria. A Wavell terminal in operation. Plessey has completed the latest phase of Wavell, the world's first computer system for improved tactical command and control on the battlefield. This was achieved with the recent handover to the British Army of the 32nd vehicle fitted with Wavell equipment. It fulfils the £45 million production order placed by the Ministry of Defence in November, 1983, for 16 tracked and 16 wheeled vehicles equipped with the Wavell system. Most of these vehicles will be based in Germany with the British Army of the Rhine and will use the Piazmin trunk communications system, also supplied by Plessey. Total value of Plessey work for Wavell to date amounts to £80 million.

PLESSEY The height of high technology

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Antony Thorncroft in London explains the background to a theatrical battle for funds

UK arts dance to a frugal tune

EVERY AUTUMN the arts industry in Britain embarks on a ritualistic dance. The Government, in the form of the Minister for the Arts, currently Mr Richard Luce, announces that the increase in its arts expenditure for the next year will be confined to its own optimistic view of the rise in inflation. For "real" growth arts companies will have to look to their own resources.

The arts world, orchestrated by the Arts Council, a 60-year-old body, the members of which are Government-appointed, and which has the task of deciding how the Government grant should be divided between the arts companies, then embarks on a public relations campaign to press for more money.

In quick succession Sir Claus Moser, chairman of the Royal Opera House, Covent Garden, and Sir Peter Hall, director of the National Theatre, voice their concern that if extra money is not forthcoming they will have to cancel some of their planned programmes. This time there really is a crisis.

When the Minister announces the grant, as he did on Monday, it is invariably well below what the Arts Council asked for but slightly higher than the arts world feared it would be. It will be just enough to get by.

This year the UK's opera and theatre companies, orchestras, arts centres, museums, art galleries, etc will share £238m (£481m). Mr Luce can pretend that this is a 5.4 per cent rise in expenditure, but he is well aware that more than half of the extra £17m is destined for the new British Library which is slowly rising in St Pancras, London, and which will have cost well over

£200m by the time it is completed early in the 21st century.

For the Arts Council the basic grant is 3.5 per cent higher, at £138.4m, well below the £164m it requested and just below its bottom line demand of £140m. The Council, arguing that inflation in the labour-intensive arts is at least 5 per cent, will have to decide in the next few weeks how it can spread the misery around its clients.

Mr Luke Rittner, the Council's secretary general, has been heard to say that he might welcome a really restrictive grant, which would force it to make some unpleasant decisions - such as cutting its £13m annual subsidy to Covent Garden. That would concentrate the Government's mind and perhaps force it to reconsider its penny-pinching attitude to the arts.

As things are, for 1987-88, the UK arts companies can expect to receive a rise in subsidy slightly below the inflation rate. It will mean that theatre companies will choose plays with smaller casts; orchestras will perform a more popular repertoire; opera houses plan fewer new productions. The arts will survive but they will not flourish.

The problem for the arts industry is that in the last 30 years it has been one of the few great British success stories. Its artists - Moore, Bacon, Hockney - are acclaimed abroad; so are its composers - Tippett, Maxwell-Davies, Lloyd Webber; its actors - Olivier, McKellen, Glenda Jackson; its directors - Hall, Nunn, Parker; its major companies - Covent Garden, the Royal Shakespeare Company, the National Theatre; and its orchestras.

A major reason why tourists spend almost £5bn each year in the UK is to attend its theatres and to visit its museums and art galleries. Somehow, despite a succession of sparse increases in Government grant, new arts companies have got off the ground throughout the UK in recent years - 30 new theatres in England alone, plus seven new opera companies and five major dance companies. Stimulated by the Arts Council, which has made it policy to redirect resources to the regions, the UK has never had such a flourishing arts scene. Last week Glasgow was confirmed as European city of culture for 1990.

Leading figures in the arts argue that these achievements have been secured despite the Government, and that many of them, especially the capital expenditure on theatres and arts centres, were made in the past. The cracks are beginning to show. Covent Garden, in particular, has been hit by a succession of problems in the past year - from a crucial cancellation by Plácido Domingo to strikes by the orchestra and critical receptions for new productions - and at least some of these setbacks can be attributed to the fact that its level of Government subsidy is less than half that received by its rivals in Vienna and Paris.

It is not as if the Government can waste the major arts companies of waste. It commissioned an investigation into two of them - Covent Garden and the Royal Shakespeare Company - by Mr Clive Priestley, who concluded that both were underfunded.

But the Government's solution to what it considers to be a long sur-



Sir Peter Hall: threat to close plays

cession of job stories from theatre directors and opera house supremos is that they should look towards public and private sponsors, as well as the box office, for any additional revenue.

To its credit the Government is

priming the pump. In 1984 it launched the Business Sponsorship Incentive Scheme under which companies that sponsored the arts could qualify for a Government cash contribution to the sponsorship. The 1986 budget gave tax incentives for private patrons of the arts. Through such measures arts sponsorship by business has risen from less than £1m to approaching £25m a year during the past decade. The Government argues that this second source of funding offers the best opportunity for the arts. Its own contribution will not be increased in real terms.

On the surface there is much re-orientation between the leaders of the arts world and the Government. Beneath the surface there are many links between them. Mrs Margaret Thatcher, the Prime Minister, is known to enjoy the opera - unlike most of her predecessors - and Mr Nigel Lawson, Chancellor of the Exchequer, has also been seen at Covent Garden.

For all its tough talk the Government sometimes bends a little - not least in the matter of the heritage. When statey homes, such as Kedleston Hall in Derbyshire, seem threatened, it usually manages to find spare cash for restoration. It has also increased the resources available to acquire works of art in lieu of tax payments.

But the Government, unlike that in France has so far failed to seize the initiative and recognise that in the arts it has one of Britain's best ambassadors, which with a modest extra subsidy could become a winning ally rather than a sulky foe.

Arts reviews, Page 15

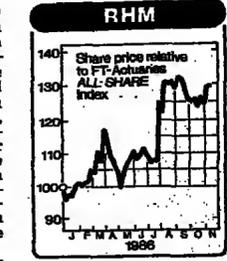
THE LEX COLUMN

More yeast for RHM's dough

Ranks Hovis has done so well to serve up pre-tax profits of £90.8m that the news may even be a touch better than the market finds comfortable. Market expectations are not RHM's affair, certainly, but had RHM come through with the £28m that was in the market beforehand, the figures would have been digested with more satisfaction, fewer questions asked, and more than 5p on the share price - now 267p. An extra slice of property disposal profit sits uneasy on the market stomach. And that was a pity, given such an exceedingly good result before property.

It would not be surprising if RHM's management felt itself to be in something of a fix. Five years' hard work on the baking business have at length come through in the shape of profits from bread, and the reorganisation has not merely thrown up those chunks of property that can be sold to gild the gingerbread, but degenerated the balance sheet and financed an impressive reinvestment programme. RHM does not control the UK bread industry, but it is a lot closer to matching the efficiencies of AB Foods, which does.

Unfortunately, the RHM share register is now well stocked with Australian names of dubious friendliness. Putting together the 14.3 per cent taken over from S & W Berisford by the Goodman interests with the near 5 per cent recently assembled by Fletcher Challenge, RHM must fear that a bid platform has been assembled. That is at best a distraction, at worst a pressure to push the profits very hard in the period before a bid has either to be recommended or repelled. The fear must be that, with a rising tax rate next year, RHM's earnings growth will slow this year, when a strong forecast may just be needed.



Member of the staid fraternity of brewers.

Improved cash flow is another reason for the reduction in the interest bill - the biggest single factor in the pre-tax profits increase of 17 per cent. While turnover, on a like-for-like basis, was up by about 10 per cent, trading profits were ahead by no more than 6 per cent. This suggests that Whitbread's increased share of the UK beer market came largely through the off trade, rather than the higher-margin tied business.

But no one is concerned about Whitbread's management of its core business. The worries are about its diversification in the US, which over the past few years has absorbed about £150m of shareholders' funds. Since Whitbread refuses to give figures for its US drinks distribution one simply has to take the company's word that its US operation is washing its face of financing charges, despite the recent sharp downturn in sales in the US wine and spirit industry.

More rapid growth in the company's UK retailing operations should see Whitbread making about £100m extra property in the full year. At 260p, down 10p, the A shares are on a multiple of less than 10, underlining the problems that a family controlled company has in a sector where takeover speculation is still the top inch of most market valuations.

effort, and may have been forced to turn yet more sellers away. There may even be enough frustrated sellers about to give him control by accepting.

The opposing argument is that those who sold to IEP (UK) rather than accepting the offer, were short-term holders who had come in for the ride and took the cash because they expected the bid to lapse and the shares to fall afterwards. Yesterday's closing price of 251p, unchanged on the day, could be called in evidence by either side. It is low enough to provide a penny or two after expenses for the old-fashioned type of arbitrageur convinced that the bid will succeed, but not so low as to compensate for the risk of failure.

However, by buying a near 30 per cent stake Mr Brierley may have limited the downside risk. That amount of stock would be difficult to place if the bid fails, and if dumped on the market could even mean a loss to IEP (UK). Mr Brierley is more likely to hold on to the shares, in which case they should not fall far in the short term and could subsequently be worth a fair bit more, either through a further bid or if OT&T keeps improving profits.

Whether or not OT&T deserves another chance at independence is an issue that seems to have got lost in the more technical arguments. Certainly the record until recently would not justify turning down the bid. But after the push from Mr Brierley, and under the threat that he may remain a substantial minority shareholder, OT&T should now be trusted to provide a better return in future.

Ferruzzi poised to buy 70% of British Sugar

BY CHARLES BATCHELOR IN LONDON

FERRUZZI, the Italian food and agricultural group, is expected to sign a conditional agreement within the next two days to acquire a 70 per cent stake in British Sugar, the UK sugar beet monopoly, for more than £400m (£560m).

The agreement, with S & W Berisford, the commodity trading and processing group which owns British Sugar, would be subject to the approval of the UK Monopolies and Mergers Commission.

Ferruzzi was fighting for control of British Sugar with Tate & Lyle, the UK sugar refiner, for much of the year. The Monopolies Commission is studying both bids for control, although neither company has made a formal offer.

Ferruzzi has acquired a stake of nearly 24 per cent in Berisford, while Tate & Lyle has 10.5 per cent. It emerged earlier this month that Ferruzzi was prepared to make

Rolls-Royce and GE end turbo jet engine revenue-sharing pact

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

ROLLS-ROYCE of the UK and General Electric of the US are ending their revenue-sharing pact on the joint development and production of the RB-211-535E4 and GE CF7-90C2 turbo-fan jet engines because of increasing competition between the two companies.

The main example of this competition came last August when after a fierce fight Rolls-Royce won an order from British Airways to install another of its big jet engines, the RB-211-524D4D, in that airline's 16 new Boeing 747 Jumbo jets, with an option on 12 more.

GE made no secret of its disappointment and anger at losing that deal. It made clear its belief that under the pact with Rolls-Royce, the two companies ought to have worked together to ensure that GE won the BA order with the 90C2, with Rolls-Royce having a major stake in building the resulting engines.

But this was only one example of the way in which Rolls-Royce has

Whitbread

As a company which is increasingly a retailer, rather than just a plain brewer, Whitbread seems concerned to put everything in the shop window. So disposals of retailing property (public house), formerly treated as extraordinary, are now lifted above the line. In this change Whitbread is admittedly simply following brewers' convention. But the company has also decided to capitalise the interest incurred on the finance of major projects - vanguard for a retailer, much less so for a

C. E. Heath
As the C. E. Heath share price slides (apparently on predestinated rails) towards the 40p at which Hambros is due to place the shares, the value of odd parcels seems to have been moving the other way. For Hambros, on Tuesday afternoon at any rate, it seemed well worth paying 50p for a 4 per cent block. That is, after all, some 8 per cent of the voting power that it needs to push through its sale of the Fielding business to Heath. And well done, those arbitrageurs in Holborn. With the proxies in, yesterday morning, 50p may have come to look a bit over the odds. But there is still the meeting to come, on Friday.

London markets weaken

Continued from Page 1

On Wall Street, trading volume was heavy but analysts said the tone was steeper compared with Tuesday afternoon. Bargain hunting investors turned to the blue chips in pursuit of quality at current relatively low prices but further sharp falls were suffered by shares which had risen sharply in recent weeks on the wave of speculative takeover buying.

This selling was hastened by reports that a number of mooted takeovers were running into financing difficulties and the news that Dressel Burnham Lambert, a leading Wall Street investment firm, had been subpoenaed by a grand jury in connection with the Boskey case.

In London, the dollar ended on a weak note at DM 2.0075 compared with the close on Tuesday at DM 2.0125 despite the upward revision of US third quarter gross national product.

Although Mrs Thatcher's objections to EMS entry are already well known, her comments still encouraged selling of sterling, particularly by overseas investors. Her expression of strong opposition to

Italian banking reality

Continued from Page 1

strengthen their political positions but that *lotizzazione* (power sharing) in Italy is messier because of the number of parties which have to be satisfied.

Senator Rubbi is less embarrassed and certainly less querulous about the tortuous negotiations than, for example, Mr Renato Altissimo, the secretary of the Liberal Party. "Worrying" and "pathetic" are just two of the epithets which the Liberal leader has applied to the experience. In comment with the Republicans and the Social Democrats, he has the dazed air of a man who has been left only with his small change after a lightning clever mugging.

The main perpetrators have been the Socialists and the Christian Democrats. While it has been Mr Giovanni Goria, the Christian Democrat treasury minister, who has insisted on the necessity of finalising the appointments, it is the Socialists of Prime Minister Bettino Craxi who have defined the bargain to be struck.

With an attention to detail worthy of any bank analyst, the Socialists totted up the current share-out of bank presidencies and concluded that the Christian Democrat hegemony was out of proportion to the party's parliamentary strength in the governing majority.

To be exact, the Christian Democrats were holding 14.17 per cent more bank presidencies than they were entitled to, the Socialists 7.36 per cent less while the Republicans, Liberals and Social Democrats fell short by 5.54 per cent, 2.97 per cent and 1.35 per cent respectively.

Regional disproportions were another convenient prop to the Socialists case as were funds controlled by the banks. The party's negotiators, for example, have reportedly argued without embarrassment that Christian Democrat retention of Cariplo, the giant Lombard savings bank with the third largest volume

Britain warns Japan over market access

By Peter Montagnon in London

MR PAUL CHANNON, UK Trade and Industry Secretary, warned yesterday that Britain might consider withdrawing securities dealing licences from Japanese firms in London if reciprocal access were not granted to British firms in Japan.

Speaking on the eve of his departure for a week-long visit to Japan, Mr Channon said he would be reluctant to enforce reciprocity, but "there is still a very serious imbalance" in respective market access.

The issue of reciprocity would loom large in his talks in Japan during which, he said, he would also be urging the Government of Mr Yasuhiro Nakasone to reduce its overall trade surplus with the rest of the world and to alter the tax treatment of alcohol sales, which the European Community argues discriminates against imported liquors in the Japanese market.

Mr Channon stated repeatedly that the concept of a free world trading system was at risk unless Japan took steps to reduce its \$80m trade surplus by opening its domestic markets to imports.

Four UK-based financial firms - Samuel Montagu, James Capel, Morgan Grenfell and Larrie and Milbank - have recently been invited to apply for securities dealing licences in Japan and department officials say the queue of pending applications is not long.

However, Mr Channon noted that the present situation was weighted heavily in Japan's favour. Although 37 Japanese firms are licensed to deal in securities in the UK and four have seats on the London Stock Exchange, by contrast only 11 London-based firms have securities licences in Japan and only three have stock exchange seats there.

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London	10	10	10	10	10
Paris	10	10	10	10	10
Rome	10	10	10	10	10
Moscow	10	10	10	10	10
Delhi	10	10	10	10	10
Calcutta	10	10	10	10	10
Bombay	10	10	10	10	10
Madras	10	10	10	10	10
Colombo	10	10	10	10	10
Singapore	10	10	10	10	10
Bangkok	10	10	10	10	10
Hanoi	10	10	10	10	10
Manila	10	10	10	10	10
Seoul	10	10	10	10	10
Tokyo	10	10	10	10	10
Osaka	10	10	10	10	10
Kobe	10	10	10	10	10
Yokohama	10	10	10	10	10
Singapore	10	10	10	10	10
Bangkok	10	10	10	10	10
Hanoi	10	10	10	10	10
Manila	10	10	10	10	10
Seoul	10	10	10	10	10
Tokyo	10	10	10	10	10
Osaka	10	10	10	10	10
Kobe	10	10	10	10	10
Yokohama	10	10	10	10	10

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French Government picks its man for CDF-Chimie

BY PAUL BETTS IN PARIS

THE FRENCH Government has appointed a new chairman—after a delay of more than two months—to head CDF-Chimie, the chemical subsidiary of the French coal board and the so-called sick man of the French chemical industry.

The Government hopes that Mr Serge Tchuruk, the new chairman of CDF-Chimie, will be able to resolve the pressing industrial problems of a group burdened by debts and losses which employ 16,000 people and has sales of FFr 26bn (£2.5bn) a year.

Mr Tchuruk has the reputation of being one of the top managers in the French chemical sector, and is credited with making a major contribution to the recovery in recent years of Rhone-Poulenc, the French state-owned chemicals group. Mr Tchuruk, aged 49, joined Rhone-Poulenc in 1980, and was managing director of the group before deciding to accept the challenge of managing CDF-Chimie. Before Rhone-Poulenc, Mr Tchuruk worked for about 15 years with Mobil Oil of the US.

His priorities at CDF-Chimie will be to try to work out a solution to the group's chronic problems in its loss-making petrochemical and fertiliser businesses. Moreover, CDF-



Mr Serge Tchuruk, new chairman of CDF-Chimie. The French Government aims at resolving the company's industrial problems.

Chimie is also in urgent need of financial support from the French Government to restructure its balance sheet.

The chairmanship of CDF-Chimie became open two-and-a-half months ago after the resignation of Mr Michel Hug, the former head of the French coal board who also managed the troubled chemical subsidiary. However, the new Co-

servative government decided to split the management of the coal board and that of the chemical group. Mr Bernard Pache, the former chairman of the nationalised minerals and metals group, was appointed in charge of the coal board.

The two main candidates for the CDF-Chimie chairmanship were Mr Tchuruk and Mr Jacques Mayoux, the former chairman of Societe Generale, the French nationalised bank.

Following the departure of Mr Tchuruk from Rhone-Poulenc, Mr Jean-Rene Fourtou, the new chairman of Rhone-Poulenc, will also be taking over for the time being at least the responsibilities of his former managing director.

SEAGRAM COMPANY, the Canadian family-controlled concern which is the world's largest distiller and has interests in energy and chemicals, has elected Mr Charles F. Bronnman co-chairman with his brother Edgar. reports Reuters from Montreal. Mr Bronnman will continue to have senior responsibility for Seagram's liaison with the management of Du Pont, the US chemicals-based company which owns Conoco, the US oil company, and in which Seagram has a 22.5 per cent interest.

New head at Litton Industries

By Our Financial Staff

LITTON INDUSTRIES, the California-based concern with interests ranging from advanced electronics and defence systems to industrial automation and marine engineering and to other fields, has elected Mr Orion Hoch, its president, to the additional post of chief executive. Mr Hoch, aged 57, succeeds as chief executive, Mr Fred O'Green.

Mr O'Green, 65, is to remain chairman, the change is expected to become effective on December 11. "This is a long-planned succession and a logical transition at this time," says Mr O'Green, who is to continue to serve on the executive committee, with Mr Hoch and Mr Joseph Casey, the chief financial officer.

Mr Hoch has been president, chief operating officer and a director at Litton since 1982. He began his career with the company in 1957, but left in 1974 to become president of Advanced Memory Systems and its successor company, Intersel. Mr O'Green has been chairman and chief executive since 1981, having joined the company in 1969 as general manager of the guidance and control systems division. Before joining Litton, Mr O'Green was technical director of space programmes and assistant general manager at the space division of Lockheed Corporation.

Venezuela changes top oil management

BY JOSEPH MANN IN CARACAS

THE VENEZUELAN Government has appointed Mr Juan Chacin Guzman president of Petroleos de Venezuela SA (PDVSA), the national oil company and the country's largest and most important business concern.

Mr Chacin, now the second vice president at PDVSA, will replace Mr Brigidio Natera, who is retiring after 35 years in Venezuela's oil industry. At the same time, the Government has announced that Mr Pablo Reimpell is to stay on as PDVSA's first vice president and that Mr Frank Alcock, currently president of Corpovent, a major operating subsidiary of the state oil monopoly, is to take over as second vice president at PDVSA. The appointments are effective from December 1.

Mr Chacin is a veteran petroleum industry manager. He held his first job at an oil company here as a university student. He is a geologist with a degree from Southern Methodist University in the US (1955), and worked for the Venezuelan subsidiaries of Gulf and Exxon, the US oil companies, and was assigned to a post in the US by Gulf. He held a number of executive positions in Mens Grande Oil Company, the Venezuelan Gulf affiliate, and in 1974 became president of the Gulf subsidiary in Ecuador. A year later he was appointed president of several operating units in the Venezuelan oil industry during the period of post-nationalisation consolidation.

Before being assigned to the vice president's post at PDVSA in early-1984, Mr Chacin served as president of two major operating companies in the oil industry, Corpovent and Meneven. PDVSA, a state-owned company with more than 43,000 employees, assumed control over the operations of all domestic and foreign petroleum companies in Venezuela at the beginning of 1976, when the oil industry was nationalised. It is one of the world's largest petroleum companies. Last year, it produced an average of 1.55m barrels per day (BPD) of crude oil and exported 1.37m BPD of crude oil and refined products. Its proven crude reserves at the end of 1985 were 29.5bn barrels. The state oil company had total income in 1985 of US\$14.5bn and a net profit of \$1.5bn.

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Ward Holdings PLC, the largest housebuilder in Kent with a turnover of c£40 million, wishes to recruit a Group Finance Director to be based at its head office in Chatham.

This is considered a 'key' appointment within the company and the person appointed will be expected to make a significant contribution to the ongoing development of the Group.

Reporting to the Chairman, and working closely with him, the Group Finance Director will assume responsibility for all aspects of the accounting and financial management of the company including treasury, taxation, input into commercial

negotiations and liaison with professional advisers.

Candidates must be qualified accountants preferably with previous experience in a major company within the housebuilding sector, ideally a plc. In personal terms, applicants must be mature and confident, acceptable at all levels, team players but with the capacity for independent decision making. Previous contact with City institutions would be an advantage.

The remuneration package is negotiable and is unlikely to prove a problem for an ideal candidate.

Please write in confidence, quoting reference 3360/L, to Valerie Fairbank, Executive Selection Division.



Peat, Marwick, Mitchell & Co., 165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

Finance Director

West Midlands

To £30,000 + Car + Equity Participation

Our client offers a new venture committed to the development of an exciting concept in retailing. Backed by institutional investors, with a proven formula originated by a major group and carefully market researched, conservative projections forecast dramatic growth in the first two years.

Reporting to the Managing Director, the Finance Director will be a part of a small, highly expert team fully experienced in the retail trade. Initial duties will include the "green field" establishment of financial systems including computer based applications. As well as statutory and management accounts, the job holder will have responsibility for budgets, cash flow, treasury aspects and will perform the function of company secretary. This is a role designed for a business manager

who will want to contribute as a member of the executive team to the development of business policies and strategy. In addition to first class financial skills, applicants must have experience of team management preferably gained within the retail trade. Personal skills will include an entrepreneurial approach to problems, an adaptable attitude and a high level of commitment. There is the opportunity to purchase an equity stake in the business.

Please reply in confidence giving concise career, personal and salary details, quoting Ref ER905 to:

Brandon Keelan, Arthur Young Corporate Resourcing, Citadel House, 5-11 Fetter Lane, London EC4A 1DH.

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Ref: CA/86

COMPUTER AUDITOR £28,000
The Merchant Banking arm of a major international banking group located in the City seeks a Computer Audit Department.
OPERATION REVIEW £20,000
An excellent opportunity for a qualified Accountant to join this dynamic manufacturing and dynamic group located East of Berkshire. Duties will include Financial and Operations Accounts, review throughout their European and worldwide offices. Line manager position, after 2 years' Ref: 38/870

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A Major Opportunity in International Consultancy

Financial Director

Please write to: The Managing Director, Lander Associates Europe Limited, 2 Hill Street, Berkeley Square, London W1X 7AA.

Lander Associates require a Financial Director responsible for European operations. He/she will be based at the Regional Headquarters in Berkeley Square, London W1 and will report directly to the Managing Director for all aspects of Finance, Administration and Personnel Management. The position is a challenging one requiring energy, flexibility and commercial skills of the

highest order. An ability to handle and relate to international clients is essential. It is expected that the person appointed will be a Chartered or Certified Accountant with at least five years post qualification experience. Fluency in French or German would be a decided advantage. The compensation package will be appropriate to the seniority of this important position.

LANDER ASSOCIATES
Strategic Design Consultants

Hoggett Bowers

Financial Controller

Retail Branch Operations
West London, c £22,000, Car

This is a new position in a highly successful major retail group with a branch on every High Street. The key responsibility will be the monitoring of all aspects of branch performance, which is fundamental to the future success of the business. There has been a major development of computer systems right to the point of sale, which has yet to be fully exploited for immediate information and consequent control of branch performance. The successful candidate will be expected to be involved in the constant development of these systems to ensure a fully comprehensive and effective support to the line operation. Candidates must be ACA, probably aged under 30 with experience or exposure to a retail or financial service operation. The company is successfully undergoing major expansion. Anyone joining the operation in a senior capacity such as this must have ambition and high potential. They will need an assertive and energetic leadership style and will want to be fully involved in the business. J.H.E. Davies, Hoggett Bowers plc, 36 High Street, Eton, WINDSOR, SLA 6ED, 0783 80982. Ref: 1903/FT

Financial Controller

North West, c £20,000, Car

A profitable, well established and acquisitive, consumer product manufacturing and marketing company, with a £20 million turnover. This is the setting for the appointment which responds to the Finance Director, whose role embraces diverse functions other than finance. Responsibility is through a well established team, some qualified, for the entire accounting function - all computer based systems. The position is appropriate to a qualified accountant, under 35, with a good commercial accounting grounding and some experience in a multi-division environment. Career opportunities are excellent in this high profile branded company and the fringe benefits are appropriate including profit sharing scheme, PPR, pension and relocation assistance where appropriate. R.D. Howgate, Hoggett Bowers plc, St John's Court, 78 Gartside Street, MANCHESTER, M3 3EL, 061-852 3800. Ref: 3745/FT

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

The following General Appointments appeared Yesterday

- U.S. Treasury Settlements
- Cocoa Trader-Manager
- Account Manager
- Marine Finance and Statistics
- Gilt Trader
- Fund Manager
- Assistant Treasurer
- Director of Engineering
- Executive Search
- Senior Metals Analyst

... and many more!

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FINANCIAL CONTROLLER

£23,000 plus car

MARKET LEADING SERVICE ORGANISATION
Tel: David Paxon on 01-493 5001 (Noel Accountancy)

GROUP CHIEF ACCOUNTANT

£18,000

The Newshp Group is a successful acquisitive privately owned independent group with a wide spread of business interests throughout the UK. Turnover of £10m is achieved in Home and Overseas markets. Success is based on sound financial control and we now seek to appoint a Group Chief Accountant to strengthen the small central team in Group Headquarters. Applicants will be hard-nosed enthusiastic qualified Accountants ACA or ACCA aged 25-35 possessing a commitment and a desire to make a positive contribution to the continued success of the Group. Please apply in writing to: M. R. Ska (Finance Director) Newshp Group, Givens House, 72-76 Queens Road, Weybridge, Surrey KT13 8XB.

Accountancy Appointments

FINANCIAL CONTROLLER

North London

c. £25,000 + Car

Our clients, a long established company in the promotions, publicity and design field with an impressive client portfolio, have experienced much success and rapid growth in recent years as their excellent reputation in the market continues. Their operations now demand the appointment of a finance professional who will contribute to the management and development of the business with the senior directors.

The core responsibilities will be the management of the financial affairs of the company with an emphasis on creating timely and relevant management information. The work will also include investigations into possible acquisitions and sources of funding to support the company's continued expansion.

Working closely with the founders in a fast moving, informal environment this appointment holds considerable potential including the opportunity to contribute fully to the development of the business. A future USM listing is a possibility if the current rate of growth continues.

Candidates must be qualified accountants and ideally have experience of working within a small entrepreneurially run and marketing orientated company. Previous exposure to the "PR" sector would be invaluable. In addition to sound technical skills, a strong, outgoing personality and a people approach is essential.

Please write in confidence, enclosing career details and quoting reference 7994/L to Anne Routledge, Executive Selection Division.



Peat, Marwick, Mitchell & Co.,
165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

Appointments

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Daniel Berry
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A stimulating demanding appointment with scope to progress to Board appointment in 2-3 years.



BERKSHIRE

GROUP MANAGEMENT ACCOUNTANT

£17,000-£20,000 + profit share + car

EXPANDING PROPERTY DEVELOPMENT AND INVESTMENT GROUP

Applications are invited from Accountants (ACMA, ACCA, ACA), aged 28-35, preferably graduates with at least 2 years' post-qualification experience in a progressive commercial organisation, with practical experience in forecasting and treasury management. As a key member of the Management Team, the successful candidate, reporting to the Managing Director, will provide a wide range of financial planning advice and systems development direction, acting as the link between the accounting function and project managers. In addition to responsibility for the group's day-to-day accounting (through a small, effective team), key will be P/L forecasting, treasury management and production of quarterly results, budgets and variance analysis. The ability to demonstrate initiative, creative but sound commercial flair and a flexible team approach is essential. Initial salary negotiable £17,000-£20,000 + profit share + car, non-contributory pension, free life assurance, free BUPA. Applications, in strict confidence, under reference GMA121/FT, to the Managing Director, ALPS.

Opportunity to embark upon Corporate Finance career with early prospects of increased responsibility and earnings.



CITY

CORPORATE FINANCE EXECUTIVE - BANKING

£16,000-£20,000

FAST DEVELOPING MERCHANT BANKING ARM OF SUBSTANTIAL INTERNATIONAL FINANCIAL SERVICES GROUP

For this demanding new appointment, the result of expansion, we seek Chartered Accountants or Solicitors, aged 23-27, recently qualified or with one year's post qualification experience. A broad professional training in a leading international firm specialising in the corporate field is essential and experience which relates to corporate finance activities or investigations will be a definite asset. Working within the Corporate Finance Group, the successful candidate will be involved immediately in all aspects of the work of a busy department, including, inter-alia, take-overs, mergers, acquisitions and new issues and will be encouraged, at an early stage to play an increasing role with growing responsibilities. Total commitment is necessary together with communication skills, financial judgement plus the ability to make a full contribution with the minimum of direction and supervision in a fast-moving, high pressure environment. Initial salary negotiable £16,000-£20,000, mortgage subsidy, non-contributory pension, free life assurance and private health benefits. Applications in strict confidence under reference CFE4441/FT to the Managing Director, CJA.

35 NEW BROAD STREET, LONDON EC2M 1NH. TELEPHONE: 01-588 3588 OR 01-588 3576. TELEX: 887374. FAC: 01-256 8501.

ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT - PLEASE TELEPHONE 01-520 7849

Finance Director Designate

Electronics/Hi-Fi

West Sussex Coast

£25-30,000 + Car

Our client is a leading manufacturer at the luxury end of the audio equipment market and its products are eagerly sought by hi-fi enthusiasts throughout the world. Turnover is fast approaching £10m with ample scope for further expansion.

They now wish to appoint a high calibre Finance Director Designate to be responsible to the Managing Director for all accounting, financial, administrative and company secretarial aspects of the business.

This key position in the small top management team is seen by the company as a vital factor in realising its considerable profit potential. It therefore calls for strong financial skills, keen commercial awareness and a firm commitment to the company's prosperity.

Initial tasks will be to develop improved computer-based financial control and management information systems, to effect tight cash management and minimise currency/risk exposure, and to gear up the accounts function to meet the growing needs of the business.

Applicants will be Qualified Accountants, aged around 30-40, with experience in an electronics or light engineering environment. Experience of export requirements and some knowledge of German would be plus points but are not essential.

A fully competitive salary will be offered and there are excellent benefits including a car and profit share. Relocation assistance will be considered.

Please send concise details, including current salary and daytime telephone number, quoting reference E2009, to W S Gilliland, Executive Selection Division.

Grant Thornton
Management Consultants
Fairfax House, Fulwood Place, London WC1V 6DW.

Group Audit & Review

London

c. £30,000

The head of internal audit in this major British plc reports both to the Finance Director and the Audit Committee of the Board, and the post has a high visibility throughout the group. Internal promotion creates this need for a senior audit specialist who will inherit an effective team, based in the UK and overseas, covering subsidiaries in over 20 countries which generate sales at the £1.5bn level. A substantial upgrading of the group's IT network will require a strong systems input from the new manager, who must also bring considerable international experience.



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Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 0960 Telex: 27874

INSTITUTIONAL BANKING

We seek an outstanding young professional for a senior audit position, with the drive and ambition to become a major achiever with an established leader in the field of Institutional Banking. As a member of a highly motivated, professional and respected audit team, the work which you will undertake incorporates intensive exposure to institutional banking products and bank management processes.

Profile requirement

- ACA or banking audit professional aged 24-30.
- Excellent communicative skills, you must be able to conduct meetings and express yourself articulately both orally and in writing.
- Your present track record will evidence an ability to advance and accept increasing responsibility. Self motivation and initiative are regarded as essential.
- You will be confident in your ability to identify, analyse and evaluate all aspects of a problem. In our environment you must have the tenacity and determination to pursue significant issues to effective resolution. Your own reputation for sound judgement and incisive but balanced decision-making will ensure that you can consistently generate action and obtain results.

Future Prospects

Interfacing with management at the highest level, within two years you will have established a clear perception of the banking business together with a sound reputation for credibility, judgement and performance. You will therefore be well informed and well positioned to identify areas within the bank in which you may ultimately wish to specialise. You will strengthen our corporate resources of young, high calibre corporate officers capable of responding to any management assignment set or challenge presented. Previous audit team members have gone on to hold senior management positions in marketing, trading and operations management as well as corporate reporting.

Your role

You will be an integral part, and quickly become a key member, of a proactive audit group addressing all product issues as well as covering financial control, automated product applications, legal and regulatory compliance and general support functions. Your work will encompass the following business areas and product scope:

Corporate and Commercial Banking: Loan and Finance Services ranging from traditional banking facilities to an increasing emphasis upon innovative specialist financial products.

Financial Institutions: Securities custodianship, settlement and clearing. Global interbank payment systems. Specialist FI products e.g. Insurance Letters of Credit.

Asset Based Finance and Leasing Products

Citibank's insurance broking subsidiaries

A remuneration package including full banking benefits will be negotiated and will reflect the importance of this position.

Please write in confidence enclosing your personal cv, quoting the reference ALO/GMR/IB on both your letter and envelope, to: Ms. G. Ridgwell, Personnel Officer, Citibank, NA, 336 The Strand, London WC2R 1HE.



Home Office HEAD OF FINANCE GROUP - CROYDON

This is an opportunity to make a major contribution to the management and future development of a substantial and diverse trading operation. Your responsibilities within the Prison Service Industries and Farms Directorate will encompass all financial aspects of corporate planning, budgeting and control and you will also contribute to issues such as marketing, sales and prices, purchasing stock control and contractual matters.

You must be a qualified accountant with wide experience of senior financial management preferably including experience of the private sector and of government financial systems.

Salary £18,860-£25,140. Starting salary according to qualifications and experience. RELOCATION EXPENSES MAY BE AVAILABLE.

For further details and an application form to be returned by 5 December 1986 write to Civil Service Commission, Alencon Link, Basingstoke, Hants RG21 1J8, or telephone Basingstoke (0256) 468551 (answering service operates outside office hours). Please quote ref: G/7058.

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Government Accountancy Service

Accountancy Personnel

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NO AP? NO COMMENT!

WC2 £20,000 +
Expanding international media services group seek head office Accountant for project appraisals, integrated systems development and board reports. High profile role for young ambitious candidate. REF: C6682.

110 The Strand, WC2 0AA 01-379 6716

EUROPEAN FINANCE MANAGER

W1 £25,000 + CAR
Co-ordinate HQ functions of 3 European divisions based in Germany, France and New York within established thriving US Advertising Agency offering eventual directorship, plus generous package to dynamic decision maker. REF: AH/VO/14.

14 Great Castle Street, W1N 7AD 01-580 9186

FINANCIAL CONTROLLER

SW1 £22,000 + CAR
Assertive, commercially astute Accountant required for fast growing software house. Candidate expected to play crucial role in critical stages of company growth. Excellent productivity bonus. REF: C6563.

6 Glen Hse, Stag Place, SW1E 5AG 01-828 7555

REPORTING SYSTEMS DEVELOPMENT

NW1 £18,000 + CAR
Travel and leisure group with international plans need Accountant with combination of analytical abilities and flair. Development of unified reporting system worldwide is initial task. REF: C6733.

106 Baker Street, W1M 1LA 01-635 1493

INTERNATIONAL GROUP

REQUIRES A

GROUP TREASURER

The company is engaged in the management of shipping lines serving most parts of the world. It has a turnover of US\$200m approximately and all units within the group are currently operating profitably.

The job will be to:

- Minimise the group's exposure to foreign exchange losses and gains;
- Manage efficiently and economically all the group's banking relationships and facilities;
- Developing a programme whereby borrowings will be matched with subsidiary companies' net worths; and
- Introduce cash reporting on a standard format throughout the group.

The candidate should preferably be a qualified accountant who has probably worked in a treasury department of a major bank in addition to having had controllership responsibilities in an international group. He must be a self-starter who is fully conversant with the benefits which a strong treasurer/treasury function can provide.

Remuneration will not be an obstacle to attracting the ideal applicant.

The position will be based in a pleasant part of south-east England close to London.

Please send full resumé to:

LINDSAY FOX ASSOCIATES LIMITED
Box A0336, Financial Times
10 Cannon Street, London EC4P 4BY

J.P. 150

Accountancy Appointments

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For further information, call

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Director of Finance to £40,000 + car

We are acting for a young, rapidly expanding company with a turnover approaching £40 million currently seeking to appoint a Director of Finance. The success to date has been on a highly professional, quality orientated approach to a competitive retail environment. The company have an enlightened and democratic management style.

Reporting to the Managing Director, you will be fully responsible for financial and management reporting, treasury matters, administration systems, control of working capital, and liaising with the company's external advisors. You will also be capable of further developing the Management Information Systems. You will be a qualified accountant,

probably in your 30's or early 40's with a track record demonstrating achievement in a senior management role, and a comprehensive understanding of computerised accounting systems.

This key appointment requires strong interpersonal skills, a disciplined but flexible approach, and a high degree of commitment to contribute to the future development of an extremely progressive organisation.

In the first instance please write, enclosing a comprehensive curriculum vitae and a daytime telephone number, quoting reference 369, to Jonathan Williams, Executive Division, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LE.



Michael Page Partnership

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Finance Director

c.£25,000 + Car W.London/M25

This £20m engineering company is a subsidiary of an ambitiously managed and rapidly expanding UK Group, with a product range which sells internationally to a wide variety of industrial users.

The Managing Director now wishes to appoint a Finance Director who will bring energy and drive to the direction and control of accounting, costing, reporting and financial control functions, and work closely with him in sharpening the business performance and evaluating new business propositions, including acquisitions.

Essential requirements are comprehensive experience of financial control in a similar engineering environment (batch production, with significant stocks, applying standard costs etc), up to date knowledge of micro and mainframe computing, sound management and communication skills, a quick clear mind and a demonstrable record of creative achievement. Age guideline 33-40. Prospects include general management opportunities. Please apply in confidence quoting ref. L265 to:

Brian H Mason,
Mason & Nurse Associates,
1 Lancaster Place,
Strand,
London WC2E 7EB.
Tel: 01-240 7805

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Currently Earning £15-50,000 p.a.

Our Finance Division at MKA Search International has an established reputation for the recruitment of qualified accountants and other financial executives for middle and senior management appointments, including Board level, across a broad range of industries nationwide.

Currently we are keen to extend our contacts with qualified accountants aged 25-45, who can demonstrate a successful career to date, and feel that now or in the future they might consider a more challenging position in another organisation.

While our executive search and selection

activities extend across most industries, we would be particularly interested to hear from those with experience in these sectors: banking and financial services; computing; electronics and high technology; retail and FMCG; health care; chemicals; and manufacturing.

Please send your Curriculum Vitae to BARRY C SKATES, at our Maidenhead office, together with details of your current salary, a day time telephone number, and whether you would be prepared to relocate for the right opportunity. Strict confidentiality is assured.



MKA Search International Limited
MKA House, King Street, Maidenhead, Berks SL6 1EF
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If you are unaccustomed to associating these two words with each other, then the company we have formed may just change your mind...

This company, founded by three senior consultants with over 17 years combined experience of financially related recruitment, will aim to provide a more professional and personal service to its clients and candidates. It is called BBM Associates.

BBM Associates will provide recruitment

services to the International Banking and Investment sectors across a wide range of specialist disciplines, with particular emphasis on the Capital Markets, Accounting/Finance and Treasury.

Whether client or candidate, if you would like further information or to arrange a meeting, please do not hesitate to contact-

Kevin Byrne, Paul Boucher or Suzie Mummé on the number or at the address below.



2 London Wall Buildings, London Wall,

London EC2M 5PP. Tel: 01-628 4200

CONSULTANTS IN RECRUITMENT

FINANCIAL CONTROLLER RETAIL PLC

London c.£30,000 + car

Our client is a major, well established UK retail group. There has been strong profit growth in recent years which the group intends to continue through organic expansion and acquisition.

Working closely with the finance director the controller will assume responsibility for the day to day operations of the small head office finance team. Responsibilities include budgeting, management accounting, monitoring of results of subsidiaries and the provision of advice and assistance for the general management of the group. Additional responsibilities will range from acquisition studies to management systems development.

Candidates will be chartered accountants, probably aged around 30, with excellent technical accounting skills. The position demands high level interpersonal and management skills, commercial acumen, drive and enthusiasm. Post professional experience will have been gained in a commercial environment. Previous retail experience will clearly be advantageous but is not a pre-requisite.

Career prospects are outstanding and the remuneration package reflects the importance of the position.

Please apply, with full career details, to Mike Gostick at Ernst & Whinney Management Consultants, Becker House, 1 Lambeth Palace Road, London SE1 7EU, quoting reference F186/G.

EW Ernst & Whinney

NORWICH AIRPORT
Norwich Airport is owned and operated jointly by Norfolk County Council and Norwich City Council. Under the provisions of the Airports Act, 1986 a new limited company is being set up to operate the Airport independently from the local authority owners. A vital factor in this development is the creation of the following post:-

Finance Director & Company Secretary
DESIGNATE
up to £20,000 + Car Allowance

The postholder will be an executive director of the Airport Company and will play a key role in expansion plans which include the provision of a new terminal building and associated facilities costing £5m.

Reporting directly to the Managing Director, the Finance Director will provide the Board with all necessary financial information and advice, as well as acting as Company Secretary. He or she will be responsible for overseeing all financial and administrative functions including the operation development of new computer based business and financial information systems soon to be installed.

To be successful you will need to be a qualified Accountant with a proven track record of relevant achievement in a demanding environment. Commercial flair, together with the energy and ability to perform under pressure are equally important. Previous experience in the aviation industry may be an advantage.

For further information and an application form telephone our Jobline on Norwich 622981 (24 hour service). Please quote reference No.FD1. Completed applications should be returned to the Chief Personnel Services Office, City Hall, Norwich NR2 1NH by 5 December 1986.

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Your qualifications, experience, commercial awareness, communication and man-management skills will enable you to update management information systems/controls and related computerisation to achieve data and deadline objectives. As an essential member of the top management team, reporting to the Association's Director, you should earn £20,000 per annum plus bonus, car and other good benefits.

Please write in strict confidence, enclosing a full CV to: Bob Levine, R.J.L. Management & Recruitment Consultants, 2 Beulah Close, Edgware, Middlesex H48 8SP. Phone: 01-958 7343

RJL

CORPORATE FINANCE

Excellent salary + car

One of Britain's largest international companies, we are seeking to recruit a high calibre financial analyst to join our corporate finance team. Responsibilities include long range financial forecasts, studies on financial restructuring, formulating and reviewing investment proposals, and research into matters of financial policy. Problems are diverse and complex, requiring innovative thought and solutions, working in close collaboration with business operations, planning, tax and treasury groups.

The successful candidate, ideally aged 27-32, will be commercially minded, have

had experience in a demanding business environment, and have the personal skills to make recommendations to management of Chief Executive and Board level. Applicants should have a good honours degree, preferably in a numerate subject. A formal accounting qualification or an MBA is essential.

The position is based at our Corporate Headquarters in Windlesham, an attractive Surrey village close to the M3.

Please apply in writing giving full details of qualifications, experience and salary history to Ms. R. Cornfield, The BOC Group, Chertsey Road, Windlesham, Surrey GU20 6HL

THE BOC GROUP

Accountancy Personnel

Placing Accountants First



For further details please contact:
Room 615
Cotton Exchange,
Old Hall Street,
Liverpool L3 9JF.
Telephone: 051-236 3530

UK RETAILERS SEEK HIGHLY MOTIVATED ACCOUNTANTS

Owen Owen is a UK retail company operating 21 department stores with a turnover of £100 million. The company forms a part of the fast expanding Ward White Group. Due to internal reorganisation two positions have become available.

1. FINANCIAL AND SYSTEMS ACCOUNTANT
2. MANAGEMENT ACCOUNTANT
You will be qualified, aged between 25-35, with some commercial experience and good communication skills. An excellent financial package commensurate with experience will be offered to the successful applicants.



For further details please contact:
Arlton House,
498 Stibney Boulevard,
Wilton Keynes MK9 2AH.
Telephone: 0368 661707

AN EXCITING OPPORTUNITY

£17,500 plus car, bonus and share opportunities

The National Freight Consortium is a large and expanding group based in Bedford and has interests in transport, travel and property throughout the U.K. and overseas. They are now seeking a qualified accountant to join their UK Corporate Finance team. He/she will provide a financial management service to one of the UK operating groups with particular emphasis on Group Quarterly Reviews and projects.

Rewards are substantial. They include performance related increases, bonuses based on profits and an opportunity to acquire shares in this employee owned consortium. Good promotional prospects.



For further details please contact:
54 Baldwin Street,
Bristol BS1 1CW.
Telephone: 0272 298911

DIVISIONAL ACCOUNTANT

HEREFORD £ Fully Negotiable + Relocation
H.P. Bulmer Holdings Plc is an internationally renowned company responsible for the manufacturing and marketing of such brand names as Strongbow and Woodpecker ciders. In addition they distribute the Parrier Vichy and Contrex brands of natural spring waters.

An exciting and challenging position has now arisen for a young qualified accountant to assume total control of the management and financial accounting procedures of the rapidly growing Pacific Division. Reporting directly to the Financial Director you should be able to demonstrate good communication skills, initiative and commercial flair. Future prospects are excellent and the salary package includes generous relocation assistance, non-contributory pension and a profit sharing scheme.

SHORT CUT TO SHORT LIST FOR GO-AHEAD YOUNG ACCOUNTANTS THROUGHOUT THE UK - AT SALARIES UP TO £40,000 P.A.



The Appointments Register
London House, 271-273 King St. London W6 9LZ

Applicants: To take advantage of our fast, free and fully confidential service, post off the coupon to: Michael Polley, FCA, MBA, Hall-Mark Appointments Register, FREEPOST, London W6 9BB (no stamp required). Telephone: 02-741 6011/01-748 3444 (24 hrs). Postal 013905873.

SURNAME (40/48/55/58) _____
FORENAMES _____
ADDRESS _____
POSTCODE FT2011

Employers: Our consultant, J. Bennett will be happy to discuss our services. Telephone him on 01-741 6011.

Accountancy Appointments

COMMERCIALY ORIENTED FINANCIAL CONTROLLER

Teesside c.£20,000 + bonus + car etc.

Our Client, an engineering services company with a profitable turnover exceeding £12m, is a wholly owned subsidiary of a major American company which has similar interests throughout the world. The U.K. company is well established and has grown rapidly during recent years as the result of a number of acquisitions and the innovative development of the services it offers.

A commercially oriented financial controller who has gained broad based experience in a manufacturing company of a similar size, is required to lead the well established finance function. He or she will also be responsible for the company's mini-computer based systems.

As a member of the senior management team, the ability to make a strong contribution to business development is most important.

Applicants should be professionally qualified and have sound experience of systems development, and the presentation of timely, meaningful management information. A high standard of financial accounting is also necessary, to meet both U.K. and American reporting requirements.

Naturally, in a role of this nature, well developed interpersonal skills, a strong and confident personality and the ability to play a team role are most important.

This is an opportunity to join a successful growth oriented company in a position from which previous incumbents have been promoted internationally.

Write in confidence, quoting reference L/706 and enclosing a full C.V. to: Alan Coppock, Executive Selection Division.



Peat, Marwick, Mitchell & Co., City Square House, 7 Wellington Street, Leeds LS1 4DW.

STEP INTO BANKING

Appointed by the National Press for their innovation and dynamism, this major CITY name always keeps at least one step ahead of the market. To maintain this enviable position they need to strengthen their proactive team of Financial Managers by making the following key appointments:

- FINANCIAL PLANNING MANAGER**
Planning the future of the long-term investment portfolio, your first objective will be to develop a long-term based strategy and make profit forecasts and project profitability. You will be responsible for different strategic systems. Liaison with Financial Managers, Auditors and other external advisers will be your primary role. You will also be responsible for the commercial and financial aspects of the company's investment portfolio. A graduate qualified ACCA/ACMA/ACA/IMA.
- PROJECT APPRAISAL MANAGER**
A massive budget for I.T. development has created an opportunity to evaluate a wide range of IT projects. Sorting priorities, maintaining financial control and assessing suppliers, will provide a challenge to a graduate QUALIFIED ACCOUNTANT/ACMA/ACA/IMA. You will also be responsible for the commercial and financial aspects of the company's investment portfolio. A graduate qualified ACCA/ACMA/ACA/IMA.
- Personnel Resources**
To discuss these appointments in detail, telephone JANE EASTON on 01-242-0121 or send CV to Personnel Resources, 75 Great Inn Road, London WC1N 3LS.

Each role represents an exciting entry point to a progressive and professional banking group. High levels of responsibility and visibility will be offered from day one; excellent career development will be the reward of individual merit.

As interviews will be conducted before Christmas, interested applicants should apply by 1st December.

Recruitment Consultants

Highly Motivated Professionals with Directorship Potential
Age 28-35 Neg. High Rewards



We are a growing Specialist Search and Selection Company in the field of financial management appointments for qualified accountants or MBAs operating across a wide spectrum of seniority (currently c.£15-45,000 salary level). We have aimed to bring to bear a high degree of experience and knowledge of the market through the application of comprehensive and systematic sourcing methods combined with a personal and very professional service.

A fundamental characteristic has been our desire and ability to build long-term 'on-going' relationships with both candidates and clients, rather than confining our attention only to those occasions when either is 'active' in the market place. We are also developing our growing computerised database of contacts in fairly unique and sophisticated ways to maintain our 'edge'.

Our firm believe in professionalism and high standards has been rewarded by our strong

reputation and track record which has been built up with an almost exclusively blue-chip client base. Our business has developed largely through personal recommendation and referral with, in many cases, individuals dealt with as candidates themselves becoming clients.

As part of our policy of expansion we seek one or two individuals (who ideally are already experienced in accountancy/financial recruitment) to join our small team and who can demonstrate success based upon their motivation and a strong commitment to professionalism.

If you are attracted by and capable of responding to the challenge of making a 'visible' contribution to the growth of our business, we would be interested in talking to you.

Telephone Peter Finnamler or Henry Chrysosplakis BA, MBA, FCA on 01-439 0911, or write enclosing a CV and current salary details, to: Financial Management Selection, 21 Cork Street, London W1X 1HB.

Financial Management Selection
Specialist Search and Selection Consultants

Financial Controller

East Midlands
c.£20,000 plus car

This quoted company engaged in a process industry is well established and profitable, employs around 200 people, and has a turnover of over £20 million. Many of its products are sold under a well known brand name.

Reorganisation has created a vacancy for a dynamic Financial Controller reporting directly to the Group Finance Director and responsible for financial accounting, ledger maintenance and cash controls. The person appointed will be expected to review and improve the accounting systems in accordance with current needs and business developments.

Initially, principal responsibility will be for the financial reporting systems of the main trading company with some involvement in other group companies and consolidations.

Applicants should be qualified accountants, preferably ACA, aged 28-35, with three years industrial experience in general accounting and financial control. They must be self starters with good leadership and communication skills, sound commercial awareness and the maturity to work at senior level.

This is a first class opportunity to join this ambitious company's management team. Longer term career prospects and conditions of service are excellent. Relocation assistance is available.

Applicants should write with career details, age and current salary quoting reference number MCS/1999 to Geoff Firmin, Executive Selection Division, Price Waterhouse Urwick Management Consultants, Victoria House, 76 Milton Street, Nottingham NG1 3QY

Price Waterhouse Urwick

Financial Manager

...with exceptional promotional prospects in a £40 million business
North West c.£20,000 + bonus

The company, a nationwide distribution organisation, employs over 3000 staff in the North West alone, with an expanding range of services and products. Innovative marketing and ambitious business plans have established sustained market leadership in a highly competitive environment.

As a key member of the management board, you will be responsible to the General Manager for all accounting activities including the motivation and direction of a team of 40. You will have a broad span of involvement and influence, including the maintenance of standard costing and budget control systems, the monitoring of performance, provision of comprehensive management reporting and control of revenue collection. Capital project evaluation, including new computer applications, and the audit of all financial operations will be your responsibility. Success in this role will yield very real promotional prospects.

Fully qualified, and probably in your mid-30s, you will have at least 3 years managerial experience in a varied commercial or industrial environment. A proven team manager, you will have a thorough and up to date knowledge of computerised systems for forecasting and reporting.

The reward package provides significant bonus potential, generous benefits, and will include relocation costs where appropriate.

Please write - in confidence - with full career details - to Chris Brooks, ref. B.14041.

MSL International, Sovereign House, 12-18 Queen Street, Manchester M2 5HS.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International
Executive Search and Selection

Group Internal Auditor (Designate)

London c.£20,000pa + car

This appointment exists in a major £100m+ plc in the fast growing marketing communications sector based in central London.

You will report to the Group Financial Director and, subject to satisfactory performance, succeed the present Group Internal Auditor on his retirement shortly.

Experience in a senior audit role in the profession or a commercial environment is the essential requirement and a relevant qualification will be advantageous.

This is an opportunity to make a substantial contribution to the internal audit function in a Group with a large number of operating subsidiaries both in the UK and overseas. Apart from the normal verification work you will be expected to appraise existing financial systems and procedures with a view to recommending improvements to meet the needs of a rapidly changing business. The ability to relate to and communicate with senior executives in the subsidiary companies is particularly important.

Ideal age 30-45 with a high degree of mobility. Salary indicator as above, with car, contributory pension and other benefits expected of a large organisation.

Please write, in confidence, with concise career history to J. W. C. Bull at Bull Thompson & Associates Ltd., Alliance House, 63-65 St. Martin's Lane, London WC2N 4JX, quoting ref. 1174.

Bull Thompson

CORPORATE AND RECRUITMENT CONSULTANTS

FINANCE DIRECTOR

A rapidly growing venture capital backed company in the fashion industry seeks a finance director designate. This London-based company plans a public listing in the future.

Applicants should be aged between 25-35 with professional qualifications and commercial experience.

The role will include supervision of the Accounts Department provision of management information to fellow directors, assistance with strategic planning, evaluation and negotiation of acquisitions and business opportunities and liaison with financial institutions.

This is an opportunity to join a well established growth orientated company and should prove intellectually and financially stimulating.

Commencing salary c£25,000 + car + bonus and Share Option Scheme.

Please write with CV to:

JEFFREYS HENRY
FINANCIAL SERVICES LTD
Wilec House, 82/84 City Road, London EC1Y 2DA.
Telephone: 01-253 7064 Telex: 892907

Deputy Controller

City c.£24,000 + car & Benefits

Our client, a multi-million turnover international food group, seeks to appoint a Deputy to the Group Financial Controller who will retire in 2 years. Duties will cover the monitoring of group reporting, annual accounts, administration, accounting policy and the review of computer operations for long term networking. Candidates must be Chartered Accountants, 28/32, with relevant commercial skills and sound practical experience of computer systems backed by drive and ambition.

Applications to R. J. Welsh.

Reginald Welsh & Partners Ltd
ACCOUNTANCY & EXECUTIVE RECRUITMENT CONSULTANTS
123-4, Newgate Street, London, EC1A 7AA Tel 01 600 8387

Management Accounting

£18-£30,000 + Car
London Based

LINK MANAGEMENT SELECTION

In order to increase business efficiency, this well-known multinational has established a new European Head Quarters in London.

One result of this is a new Management Accounting Function. This department will be responsible for the preparation of Head Office accounts, the analysis of performance measurement against budget, forecasting and long range planning and budgeting.

As a Qualified (ACMA) or highly experienced Accountant, age is not as important as your experience, vision and energy. Whether you are a member of the team or its Manager, you should have the desire and drive to take your career two stages further.

The starting salaries are £18-£30,000, plus company car, together with the usual large company benefits, and the opportunity to travel worldwide.

Please write with CV or telephone Shelagh Hancock, or Sue Kellaway, LINK Management Selection, 24 Buckingham Gate, London, SW1E 6LB. Tel. 01-834 3777.

WEST LAMBETH HEALTH AUTHORITY

ST. THOMAS' HOSPITAL, LONDON SE1 7EH

Senior Assistant Treasurer - Trust Funds
£15,326-£20,242 p.a. inc.

The Special Trustees for St. Thomas' Hospital are seeking an ambitious and enthusiastic accountant with good communication skills and initiative who will support the Finance Officer in providing financial services, financial control and financial management and advice to the Special Trustees.

You should be a professionally qualified accountant with extensive managerial and accounting experience gained at a high level. Informal enquiries should be addressed to Mr. K. D. Morgan, Finance Officer, on 01-928 9292 ext 2130.

For application form and job description, please write to the Personnel Department, or telephone our 24 hour answering service on 01-261 1185 quoting appropriate job title and reference P/R2. Closing date will be 5th December 1986.

AN EQUAL OPPORTUNITIES EMPLOYER

JP 11/20/86

Accountancy Appointments

INDOSUEZ ASIA INVESTMENT SERVICES

FUND MANAGER - HONG KONG

THE COMPANY

Indosuez Asia doubled its funds under management in each of the past two years. Major growth, including the launching of new funds, is planned for 1987.

THE POSITION

A new Fund Manager is needed to take full responsibility for one of the existing funds, and possibly also to launch a new fund.

The job involves travel throughout Asia, from a base in Hong Kong. There will also be the opportunity to market the fund in America, Australasia, and Europe depending on the successful candidate's particular interests and experience.

QUALIFICATIONS

We are seeking a really bright, ambitious, and independently minded Investment Manager, aged between 25 and 30.

COMPENSATION

The compensation offered is excellent and includes free housing, a company car, and a performance related bonus.

Please reply in confidence enclosing full career details to: Box No. 11E1, Chronicle House, 4th Floor, 78-78 Fleet Street, London EC4A 3DF.

FINANCIAL DIRECTOR

Stockton on Tees

c.£25,000 + car etc.

Our Client, a successful and well established foundry company with a rapidly growing turnover of approaching £10m, is part of one of the fastest growing public companies in the U.K. The parent group has a turnover considerably in excess of £100m and is strongly profitable with surplus funds available for future growth. The foundry operation has been extensively modernised and this, plus a concentration on high margin specialist work, has led to an almost doubling of turnover during the last two years.

Our Client now wishes to recruit a strongly commercially oriented financial director to play a broad based commercial management role.

Financial management responsibilities will be those normally associated with such a position but considerable emphasis will be placed on the further

development of computerised systems, the provision of management information and the strengthening of business planning and control. The successful candidate will be expected to make a strong contribution towards the company's strategic thinking and future profitable growth. He or she should therefore be a team player with a strong and confident personality and well developed interpersonal skills.

Applications are invited from qualified accountants who can evidence the right blend of professional, technical and commercial strength and who have the personal qualities necessary to succeed in a challenging position of this nature.

Applicants should write in confidence, quoting reference no. L703, enclosing a full C.V., to Alan Coppock, Executive Selection Division.



Peat, Marwick, Mitchell & Co.,
City Square House, 7 Wellington Street, Leeds LS1 4DW.

Divisional Management Accountant

c.£22,500 + Car

This client is one of the leading service organisations in the UK with a widespread branch network supported by advanced computer and IT facilities, and a very ambitious management.

The Divisional Management Accountant will work closely with the Operations Director on the mainstream activities of the business providing budgeting, management reporting and analytical services both directly from Head Office and through a small team of management accountants strategically located throughout the regions. There is particular scope to develop statistical analysis of operational and financial data which will lead to fine tuning of customer services and improved profitability.

Applicants should be qualified accountants, aged 30-35 with at least 5 years relevant commercial/industrial experience including the knowledge to handle the statistical requirements. Personal qualities should include the ability to lead a team of ambitious young accountants and communicate concisely and clearly with all levels of management. Office location NW London with 20% business travel throughout the UK.

Please apply in confidence quoting ref. L264 to:

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 01-240 7805

Mason & Nurse
Selection & Search

AirPlus Chief Financial Officer

New Company

c.£35,000 + Bonus + Executive Benefits

The AirPlus Company Limited is a new company with a new product, the AirPlus charge card for business travellers. After an intensive nine month study, 13 major European airlines have formed the company to launch the AirPlus card, which will provide corporate business expense services relating to air travel, car hire, hotel and restaurant charges.

Reporting to the Managing Director, the CFO will have complete responsibility for the financial, legal and tax affairs of this international, multicurrency business; management and statutory accounts, bank and contract negotiations, credit control, and a significant treasury and money market operation. First priorities will be to set up the core financial systems and controls, and hire a small specialist finance team.

Probably a graduate chartered accountant, aged between 35 and 50, you will need at least 5 years' experience in a senior financial management role in a multicurrency business, preferably from within a similar type of service industry. Personal strengths will be as a decision-maker and negotiator, with the energy and commitment needed to establish a new business. Fluency in two or more European languages, including English, would be an advantage.

An excellent remuneration package, including performance-related bonus, is available, and the company is likely to be situated to the west of London.

If you are interested, please apply immediately in confidence, quoting Ref. 892, and giving concise career personal and salary details to:

Sarah Owen,
Arthur Young Corporate Resourcing,
Citation House, 8-11 Fetter Lane,
London EC4A 1DH.



Arthur Young Corporate Resourcing
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Systems Accountant

financial services leader

to £22,000 + mortgage etc

Reading

As the dominant force in a highly competitive and changing market, our client needs the support of the most advanced management information systems and associated financial controls.

This is therefore a key position, in its accounting team embracing the analysis of a broad range of business functions, reviewing existing applications and developing new micro and mainframe systems.

The potential is enormous - both in terms of business and personal development. Success in this role will create far reaching opportunities

within this company or elsewhere in the substantial group.

Applicants should be qualified accountants preferably aged under 30 with computer systems development experience. Benefits include a subsidised mortgage, non contributory pension and relocation assistance where appropriate. The company is based in prestigious new offices within easy travelling distance of London.

Please write with full career details or telephone David Tod BSc FCA quoting reference D544/SF.



125 High Holborn London WC1V 6QA Selection Consultants 01-105 3499

ASSISTANT MANAGEMENT ACCOUNTANT

£11,750 pa

The Financial Times Newspaper is looking for an Assistant Management Accountant aged between 22 and 27 years. He/she will join a small team of management accountants involved with the preparation of monthly management accounts, forecasts and budgets, and the provision of other management information.

Ideally, you will have worked in an accounting environment and will be at the part-qualified stage of a formal accounting qualification. You should have had some previous experience of computers including basic financial modelling. The work will involve assistance with annual accounts preparation and analysis work.

Please apply with full C.V. to:

The Personnel Manager
The Financial Times Ltd
Bracken House

10 Cannon Street, London EC4A 4BY

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER
LONDON - FRANKFURT - NEW YORK

Financial systems manager

South Coast, c£22,000 plus mortgage subsidy



As a successful, innovative organisation and a major force in the financial world, our client makes extensive use of computer resources in providing a highly professional service. The appointment of a financial systems manager is therefore key to ensuring that frequently changing management accounting and financial control requirements can be met in this fast moving environment.

Reporting to an Executive Director, you will lead an operational development team which supports corporate systems and new product implementation. Your responsibilities will include the definition of systems and controls requirements, liaison with Data Processing, the review of specifications to ensure that user requirements are met and the control of systems implementation.

Aged from 30 and preferably a qualified accountant, you will be experienced in the development and implementation of data processing systems for high volume accounting applications. You should bring to the job a high degree of technical expertise covering accounting system controls, mainframe computer systems design and, ideally, product procedures of a financial services organisation. You will be committed to team work, able to successfully motivate your staff and have effective negotiation skills.

Please send résumés, which will be acknowledged and forwarded to our client unless a covering letter gives contrary instructions, to Janice Walden, quoting Ref. R588.

Coopers & Lybrand
Executive Selection

Coopers & Lybrand
Executive Selection Limited

Shelley House 3 Noble Street
London EC2V 7DQ
01-606 1975

STAFF ACCOUNTANT

Bachelor degree (or equivalent) in Accounting, with 2-3 years' general accounting and business experience in a small distributing sales office environment. Knowledge of financial reporting to United States will be a plus. Good communication and language skills plus fluent French and a knowledge of German. Full charge accounting functions in areas of Accounts payable, receivable, payroll, general ledger, etc., for three foreign sales offices. Prepare monthly financial packages to corporate office in United States. Coordinate sales and service activities between different offices and handle regular office administration work as well.

Apply to:

Nanometrics Europe Ltd., Holland House
Queens Road, Barnet, Herts EN5 4DJ

Mid-Surrey Entrepreneurial Financial Director

c£30,000 package

Beaumont House,
Station Path,
STAINES,
Middx TW18 4AL
Telephone: Staines (0784) 62131 (8 Lines)

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LTD.**



Financial Appointments made easier

CHIEF ACCOUNTANT

c.£22,000 + CAR + RELOCATION

MIDLANDS

A highly successful Electronics Manufacturer, part of a large UK Group, requires a production orientated individual to assume control of the financial management of an operating unit with a turnover of £20m.p.a. employing 1,000 people. The Company recognises the value of strong financial management, therefore the successful candidate will become a crucial member of the Factory Management Team, and must relish the opportunity to influence business strategy and profitability.

Reporting to the Factory General Manager, the Chief Accountant's duties will be to prepare and present all financial information relative to production costs in a clear concise fashion, plus prepare all reports and accounts for group and statutory purposes. In addition he/she will be responsible for an Accounting Department of 30 people encompassing financial accounts, costing, budgeting, salaries and all ancillary functions.

The ability to lead and motivate staff is essential, and 'Hands on' experience of computerised production systems such as M.R.P. would be advantageous. Candidates, aged 30+ must be qualified ACMA/ACCA/ACA with a proven track record in manufacturing and be used to working under pressure within tight deadlines.

For further information please call Epsom (03727)44311 or write enclosing comprehensive CV quoting ref. MB-126 at:-

Resource & Development Ltd.

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RESOURCE HOUSE, 8A HIGH STREET, EPSOM, SURREY KT19 8AD.

INSOLVENCY MANAGER

for
Clark Whitehill & Co
Chartered Accountants

As the Insolvency Practice is newly created in 1986, the attraction of this appointment is the scope it offers for making a real contribution to the development of services, including investigations, liquidations, receiverships and business advice.

For a capable and experienced insolvency specialist currently at manager level in a recognised insolvency practice there is the opportunity of working closely with the Head of Insolvency to develop contacts, pioneer the high technical standards necessary and help build a specialist team.

As a national firm in the top twenty, Clark Whitehill has a progressive outlook towards the importance of top quality services embracing audit, tax, corporate finance, management consultancy.

The environment is stimulating and offers first class potential where ability is encouraged and rewarded. Candidates, preferably qualified, must possess the technical abilities necessary to fulfil this role.

Based at the firm's London office in Holborn.
Salary negotiable from £20,000 + car.

Please write initially with a CV to Laurence Bahr at
Clark Whitehill & Co
25 New Street Square, London, EC4A 3LN.
01-353 1577



Accountancy Appointments

Rothmans International

Assistant Taxation Manager West End to £20,000 + Car

Rothmans International Plc is a leading group of companies with a wide range of interests including Tobacco, Luxury goods and Brewing. They are currently seeking to recruit an Assistant Taxation Manager to work in their prestigious West End offices. Assisting the Group Tax Manager the successful applicant will handle an interesting and varied range of work. This will include exposure to both UK and International Compliance and Planning matters, and specific one off projects. This role offers an excellent opportunity for

an ambitious young qualified accountant with two years' corporate tax experience to gain valuable commercial experience. Candidates will possess strong interpersonal skills and be able to act with initiative and enthusiasm with minimal supervision. The role will involve limited UK and overseas travel. For further information please contact Jayne Thomas on 01-831 2000 (evenings and weekends 01-341 9885) or write to her at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.



Michael Page Partnership

International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Operational Audit

a highly visible career stepping stone

ACAs mid 20s/early 30s

£18-30,000 + mortgage etc

Our client is one of the largest and most influential financial groups. The diversity and changing nature of its businesses and reporting systems have created exceptional career opportunities for ambitious young Chartered Accountants.

As members of a high profile team based in the Central London head office you will undertake operational reviews and appraisals of the group's activities, controls and information systems - a wide ranging brief which provides a thorough insight into the many facets of the group's business.

These are proven development positions enabling you to enhance and demonstrate analytical and communication skills in a highly computerised environment and, working with management at all levels, make a recognisable contribution to financial control.

Applicants should be qualified accountants aged mid 20s/early 30s seeking a first move from the profession or those with appropriate experience.

Please write with full career details or telephone David Tod BSc FCA quoting reference D528/EF

Lloyd Management

125 High Holborn London WC1V 6QA Selection Consultants 01-405 3489

Gabriel Duffy Consultancy

Major Advertising Agency Central London Up to £25,000 package.

Deputy Finance Director

Our client is the most widely admired advertising agency of recent times. They have won more creative awards than any other agency in the UK or Europe, with commendations for being one of the most important professional influences during the past ten years.

Internal reorganisation has resulted in the need to appoint a Deputy Finance Director to take full responsibility for the finance function with a team of twenty staff engaged in the provision of both statutory and management information.

Probably aged 28-33, you will be a Chartered Accountant with a minimum of three years post qualification experience gained in or outside the profession. You will be able to demonstrate commercial flair, a high level of business acumen and the ability to communicate effectively at all levels. Experience of the advertising industry would be useful but is not essential.

Interested applicants should write to Michael Harst, consultant to the organisation for this recruitment assignment or telephone 01-631 2288 (day) or 01-550 1970 (evenings and weekends).

Gabriel Duffy Consultancy, Financial Selection and Search, 31 Southampton Row, London WC1B 5HJ.

Finance Director

Stepping Stone to the Top

Birmingham

£30-32,500 package + Car

Our client is a profitable, small group of companies with widely diverse business interests and is seeking to recruit a stepping stone to becoming Group Finance Director in 1-2 years time.

The immediate need is for a Finance Director for their Contracting Division which operates mainly in Southern England and the Midlands. Turnover is approaching £20 million and the business is now poised, following extensive rationalisation, to move forward into an era of sustained growth.

But strong financial management will be essential and they therefore wish to appoint a high calibre financial executive to undertake this vital new role as a key member of the management team.

You will be a qualified accountant, aged 30-45, with several years experience at senior level in industry, ideally in Contracting. We will be looking for wide ranging experience including budgetary control, cash management and computer-based systems development. Keen commercial awareness, enthusiasm and a commitment to succeed will be the main personal qualities we will be seeking.

An attractive remuneration package, including profit share, car and relocation assistance, will be offered and career prospects are quite outstanding if you can show you have what it takes to reach the top.

Please send concise details, including current salary and daytime telephone number, quoting reference 2002, to W S Gilliland, Executive Selection Division.

Grant Thornton
Management Consultants

Fairfax House, Fulwood Place, London WC1V 6DW.

International Banking Group

Our client is a major International Banking Group based in the city. Due to the expansion of the financial services sector and the effects on banking the following personnel are now required:

Divisional Accountant up to £18,000 + bank bens.

This position requires a qualified accountant with a minimum of 2 years' post qualification experience within the Central Finance Dept of an internationally based organisation. Main responsibilities will be to develop internal management accounting and reporting systems and to provide diverse accounting information to all levels of management relating to UK and overseas operations.

Senior Computer Auditor some travel £20,000 + bank bens.

The successful candidate will be qualified in banking or accounting and preferably a degree in Computer Sciences and should display considerable knowledge of computer systems analysis. The purpose of this position is to provide group management with an effective independent computer audit function relating to its data centre operations, computer systems, communication networks and operational procedures and to provide an independent review of all proposed computer hardware purchases in conjunction with audit security.

At least 5 years' experience should have been gained working within a large computer development department, preferably in financial services/banking. This position demands a person with a strong character.

Internal Auditors some travel £18,000 + bank bens.

Several vacancies exist in the Inspection and Audit department for qualified accountants with a minimum of 2 years' post qualifying experience in either Financial Services and/or computer audit exposure. The purpose of the job is to manage, control and perform the audits of departments UK subsidiary companies and European branches. The successful candidates will possess strong management and leadership skills.

Replies in confidence to:
Lynda Stacey-Lowe
The ACCOUNTING STAFF CENTRE
53 Fleet Street, London EC4Y 1BE
01-583 1312

TASC

Recruitment Consultants for selected Permanent and Temporary Accounting Personnel.

Business Projects Manager

North West London c. £25,000 + Car

This major retailing company continues to lead the field with record levels of profitability and ambitious growth plans.

A Business Analysts team within the Finance function has recently been formed to examine existing operations and play a key role in new developments within the Company. This role will demand sound commercial, as well as financial, judgement and the ability to respond to a varied and fast-moving project-based environment. Operating at senior management and director level will call for self-confidence, maturity and high level communication skills.

To fulfil this role you should be a

graduate, possibly an MBA, and a qualified accountant with at least three years' work experience, preferably in a retail environment.

Excellent benefits will include a company car, pension and a negotiable salary. Career prospects for the right candidate will be limited only by your own ability.

Please apply in confidence enclosing a full CV and quoting CRS 461 to Mike Bradshaw, Chief Executive, Lockyer, Bradshaw & Wilson Limited, 39-41 Parker Street, London WC2B 5LH indicating any companies to which your application should not be forwarded.

LBW

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Accounting Opportunities

Take a giant step forward with this major multinational

£18 - £30,000 + Car

London Based

LINK
MANAGEMENT
SELECTION

Whether you are a Chartered Accountant with experience of working for a multinational or you are in professional practice, here is an outstanding opportunity to broaden your skills.

This highly successful multinational is looking for two people able to take on responsibilities as wide as they are demanding. You will specialise in the consolidation of accounts from nineteen subsidiaries in various countries or ensure company compliance with Corporation and legal reporting requirements. Whichever discipline you choose, your ability to work fast and accurately will be crucial. A knowledge of US accounting procedures will be useful, though not essential.

What is essential is potential. The potential to prosper in a company where the opportunities for career development could not be better - and where ability is always recognised and rewarded.

You may have a wide range of experience, but whatever your age you will have the ability to make your heady ambition more than just pipe-in-the-sky.

The positions are based in London, and offer a starting salary of between £18 - £30,000, as well as the usual large company benefits including company car, and relocation assistance if appropriate.

Please write with CV or telephone Sheelagh Hancock, or Sue Kellaway, LINK Management Selection, 24 Buckingham Gate, London SW1E 6LB. Tel. 01-834 3777.

Appointments Advertising

£41 per single column centimetre and £12 per line
Premium positions will be charged £49 per single column centimetre

For further information, call:

Louise Hunter
01-248 4864
Jane Liversidge
01-248 5205
Daniel Berry
01-248 4782

Chief Accountant

★ Growth Company ★ Attractive Location
★ c.£20,000 + Car

We are the market leader in a fast expanding sector of the food industry, with an impressive record of sustained growth and turnover approaching £100m.

In order to achieve our ambitious objectives we seek an energetic and able Chief Accountant. Main responsibilities will be financial accounting, systems development, control of multi-location operations and assisting the Finance Director in formulating policy.

Candidates will ideally be graduate chartered accountants, age 30+ with proven ability to manage and motivate staff. Experience is essential in modern large company accounting techniques incorporating sophisticated computerised systems.

This is a challenging role in a secure and dynamic environment situated in a pleasant rural location with access to good schools and attractively priced housing. Career prospects are excellent in a company with plans for continued growth.

A competitive benefits package includes negotiable salary, car, private medical insurance, pension and generous relocation assistance.

Please apply in writing with full career details or telephone for an application form to: Howard Sanders, Personnel Division Manager, C. W. Padley (Holdings) Limited, Warwick, Sleaford, Lincolnshire NG34 9SL. Tel: (0526) 832661 Ext. 224.

Padley's

The Welsh Development Agency is charged with the task of helping to regenerate the economy of Wales and to improve its environment. It promotes Wales as a location for investment, provides finance for industry, owns and develops industrial estates, technical centres and provides advice to the business sector.

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JP 11/86

SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Thursday November 20 1986



Grundig forecasts DM 50m earnings

By Andrew Fisher in Frankfurt

GRUNDIG, the West German electronics company that was glomming with heavy losses three years ago, expects to make a profit of at least DM 50m (\$25m) in the current financial year to next March, Mr Hermann Koning, the chief executive, said.

This would compare with a loss for the year to March 31 1986 of DM 40m, down on the DM 165m of 1984-85 and lower than previously forecast. In 1984, before Philips of the Netherlands took over management control, it lost DM 28m.

Wickes expected to call off \$1.7bn Lear Siegler bid

BY WILLIAM HALL IN NEW YORK

WICKES, the aggressive US West Coast building products and retailing company, is expected to drop its \$1.7bn offer for Lear Siegler, the Californian conglomerate, because it is having problems raising bank financing.

The \$1.7bn bid is believed to be the first major casualty of the chase in the high yield securities market, commonly referred to as the "junk bond market", which has surfaced following the revelations that Dresser Burnham Lambert, the biggest investment bank in the field, is being investigated for possible viola-

tions of US securities laws. Dresser Burnham has raised over \$1bn of junk bonds for Wickes so far this year and yesterday's announcement of the growing concern among some bankers that companies like Wickes will find it increasingly difficult to refinance their sizable bank borrowings in the junk bond market in future.

Wickes has told Lear Siegler that it has thus far been unable to arrive at a satisfactory agreement with its prospective bank lenders relative to the financing of Wickes' 400-a-share tender offer for all of Lear Siegler's

outstanding stock. Lear Siegler shares dropped by 51% to \$704 in early trading yesterday.

Wickes' tender offer was conditioned on its ability to finance the acquisition on terms and conditions reasonably satisfactory to Wickes. It said yesterday that it was continuing its efforts to obtain satisfactory financing but it was not optimistic that it would succeed.

Lear Siegler said it was disappointed at the news but was continuing with its restructuring plans. Wickes shares were unchanged yesterday at \$4 a share.

Stake in Western Platinum increased

By Stefan Wagstyl in London

FALCONBRIDGE, the Toronto mining group, has increased its stake in Western Platinum, the South African platinum producer, from 25 to 40 per cent. Falconbridge hopes the move will help it to sell its entire holding in the company.

The purchase follows a complex series of negotiations over the ownership of Western Platinum, which is 50.4 per cent controlled by Lounho, the UK-based trading group.

In making the US\$1.5m acquisition of the 16 per cent stake from Mobil Oil, the US group, Falconbridge has risked the wrath of the Canadian Government, which supports a ban on new investment in South Africa.

"This is unlikely to be popular in political circles... but the company had to act to maintain its position," the group said.

Falconbridge attracted potential buyers for its 25 per cent stake in the platinum company when, earlier this year, it said the shares were for sale.

It was approached by a South African merchant bank, acting on behalf of an unnamed group, possibly a South African mining house, which also wanted to buy Mobil's interest. These shares had originally been sold by Falconbridge in 1970.

Mobil was ready to accept the South African offer but Falconbridge said it was not "acceptable."

Falconbridge said this left it with a "difficult choice." Under the terms of a 1970 agreement with Lounho it would lose its right to board representation at Western Platinum if the Mobil shares were sold to a third party. The company said it would become "an ineffectual minority shareholder."

Falconbridge, which is trying to sell assets to cut its heavy debts, therefore decided to buy the Mobil shares.

CHEMICALS GROUP CHIEF AIMS FOR FURTHER ACQUISITIONS Rhône-Poulenc still in the race

BY PAUL BETTS IN PARIS

RHÔNE-POULENC, the nationalised-French chemicals group, has become the latest large French company to fulfil a long cherished ambition to make a big US acquisition.

Although not quite in the same league as some recent US acquisitions by other European chemicals groups, the \$575m takeover by Rhône-Poulenc of Union Carbide's agrochemical businesses has turned the French company into one of the top three agrochemical manufacturers in the world with Ciba-Geigy and Bayer. The move has also reinforced its position in the US market where it has traditionally been weak.

The Union Carbide deal also reflects the acquisition ambitions of Mr Jean-Beno Fourtoun, Rhône-Poulenc's new chairman, who said: "The chemical industry is moving fast, and I feel that we must also be part of the general movement if we want to stay in the race."

Mr Fourtoun's appointment was one of the most controversial by the French Prime Minister, Mr Jacques Chirac, to the French state industrial sector. A management consultant close to the French Republic Party, he was seen as one of the most blatant examples of a political nomination to the top of a leading state group by the Chirac Administration to satisfy former President Valéry Giscard d'Estaing and his political camp. The controversy over his appointment does not appear to have inhibited Mr Fourtoun's acquisition appetites, however.

Since taking over this summer from Mr Loik le Floch-Prigent - also a political appointment by the former Socialist administration but who managed to become popular inside the chemicals group - Mr Fourtoun has acquired Nattermann, a West German privately-held pharmaceutical company, with annual sales of about FF1.1bn (\$215m) and the Amoline business of Monsanto. Excluding the latest Union Carbide deal which will be completed on December 17, Rhône-Poulenc will have spent about FF1.8bn on acquisitions this year.



Mr Jean-Beno Fourtoun

Despite the slump in the American agricultural sector, Rhône-Poulenc is confident that its new acquisition of Union Carbide's agrochemical business will pay off and enable the French company to remain a leading world player in this field.

Mr Philippe Desmarest, the head of Rhône-Poulenc's agrochemical business and the man who has been put in charge of the French group's US operations, says the Union Carbide agrochemical activities, which do include the Bhopal plant in India, will complement the French company's existing operations in this field.

Union Carbide's agrochemical businesses employ 3,600 people worldwide including 2,500 in the US. The sales of these operations are expected to total \$450m this year. Rhône-Poulenc is bigger in this field with annual sales this year expected to amount to FF1.7bn in agrochemicals accounting for 12 per cent of the French group's overall sales.

Rhône-Poulenc employs 4,200 people in this sector in Europe, including 2,900 in France. Until now, its agrochemical businesses have employed only about 300 people in the US.

Moreover, while Rhône-Poulenc has traditionally been strong in herbicides and fungicides, Union Carbide is strong in insecticides, an area where Rhône-Poulenc has been weak.

The acquisition of the Union Carbide agrochemical businesses is not expected to pose any financial problems for Rhône-Poulenc, which expects to report earnings of about FF1.2bn this year, similar to last year.

In coming months Mr Fourtoun will have to take more direct charge of day-to-day business at Rhône-Poulenc than he intended. His idea has always been to oversee the group's broad strategy and delegating day-to-day management. However, he has just lost Mr Serge Tchuruk, Rhône-Poulenc's managing director.

Mr Fourtoun will also take over the responsibilities of Mr Tchuruk until he can find a new manager.

CPC to sell milling business

BY CHARLES HODGSON IN NEW YORK

CPC INTERNATIONAL, the leading US producer of grocery products, announced yesterday that it is to sell its \$1bn European corn wet milling business as a key element in its wide-ranging restructuring plan.

The company, the world's largest corn wet miller, said the sale would enable CPC to reduce overheads by between \$25m and \$30m above the costs of running the European corn wet milling business.

The European operation, which has its headquarters in Brussels, consists of 13 plants in France,

West Germany, Britain, Spain, Scandinavia and the Benelux countries. It currently produces \$1bn of net sales out of total CPC's annual sales of \$4.2bn.

CPC, based in New Jersey, also unveiled a shareholder rights plan designed to make it more difficult to gain control of the company through "abusive or coercive tactics." It is another in a series of moves by the company to enable it to carry out its restructuring plan, aimed at maximising shareholder values and focusing future growth principally on its US and worldwide grocery products businesses.

Earlier this month the company announced plans to spend more than \$900m buying back over a fifth of its equity. It hired Salomon Brothers, the New York investment bank, to develop a restructuring strategy.

CPC, the products of which include Hellmann's mayonnaise, Mazola corn oil and Knorr soups and sauces, made profits of \$145.7m on sales of \$3.3bn in the first nine months of this year. About 60 per cent of the company's revenues are derived from grocery products and 36 per cent from wet corn milling.

St Gobain raises profits forecast

BY GEORGE GRAHAM IN PARIS

ST GOBAIN, the glass and packaging group which is to be the standard-bearer of France's privatisation programme, is preparing for its offer for sale with an increase in its profit forecast.

Mr Jacques-Henri David, St Gobain's managing director, announced that overall net profits for 1986 would be about FF1.15bn (\$226m), of which FF1.13bn would come from the group itself, excluding minorities.

In addition, capital gains of FF1.5bn have been chalked up from the sale of most of St Gobain's stake in Générale des Eaux, and medium-term and long-term debt has been reduced from FF1.45bn at the end of 1985 to about FF1.11bn.

St Gobain's two-week flotation campaign begins in earnest on Monday with the announcement of the price at which the Government will offer shares.

For 1985, St Gobain turned in net profits of FF1.15bn on turnover which amounted to almost FF1.6bn.

The Government plans to denationalise three state-owned groups under a wide ranging programme of handing assets back to the French private sector. St Gobain is to be the first. The other two are Paribas, the financial group, and ACF, the insurance company.

SPANISH VEHICLES GROUP ENTERS NEW PHASE

Enasa in solo drive for profits

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN MADRID

ENASA, the state-owned Pegaso vehicles group of Spain, is entering a new phase in its frequently stormy existence.

During the past year discussions which might have led to the group being sold to either General Motors of the US, Toyota of Japan or Renault of France have come to nothing. The Spanish Government now seems to accept that Enasa will only become viable through its own efforts.

This is a significant change in attitude. The Government seemed to have found a home for Enasa in the early 1980s when International Harvester (IH) of the US took control and actually moved in with a new management team. But IH withdrew in 1983 because of its own financial difficulties which caused it to pull out of the European truck business completely.

The search for another powerful parent for Enasa has been going on for most of the time since IH's withdrawal. Now the search has been brought to an end.

A Pta 250m (\$206m) investment plan has been drawn up to enable Enasa to continue on its own. The plan is designed to upgrade Enasa's technology and take it back into profitability by 1990.

It hinges on negotiations with the unions for another reduction in the workforce by about 1,000 to bring it down to 7,500. The number has previously been cut from 12,500 in 1976-78.

Enasa has already made considerable progress updating its facilities. IH made a good start in reorga-

nising and cleaning up the factories. Two years ago an engineering centre using computer-controlled equipment came into operation and a new paint plant was commissioned early this year.

Management changes are also in the offing. Mr Federico Sotomayor is to resign as executive president. His replacement will be named as soon as the Government can find someone willing to do the job. Some potential candidates have declined.

A new managing director has been appointed: Mr Asacio Rodriguez, who joins from the previously state-owned Spanish computer company Secosma, recently sold to the Japanese.

As part of the new style, an international sales division has been set up with Mr Norman Kurris, an American who stayed on with Enasa after IH pulled out, as director.

"We will invest time, effort and money to expand exports to where it is possible to justify investment in heavy trucks," he said.

Mr Kurris's responsibilities cover non-military export sales and subsidiaries outside Spain. Enasa has an assembly plant in Venezuela, wholly-owned distribution companies in Chile, France and Belgium as well as owning Seldon Atkinson, the UK heavy truck producer acquired from IH in 1983.

He said Enasa would continue to build up its dealer network through all the Western European countries and this year total export sales of non-military vehicles should increase by more than 10 per cent to about 1,500. The short-term aim is to double this.

Enasa truck sales have more than doubled in France and the company was recently awarded a contract for the supply of 100 urban buses to the Caracas metro in the face of competition from eight other major bus producers.

Enasa's share of Spain's heavy truck market, which has been buoyant this year, has improved by one percentage point to 41 per cent in spite of increasingly severe competition from imports.

However, Enasa's vehicle output this year will be relatively low and it needs co-operative ventures to continue in the business.

The group should build about 6,500 heavy trucks plus 4,000 vans and light trucks up to 4.5 tonnes gross weight plus 1,800 buses in 1986.

Joint ventures and other associations already include a deal to build gearboxes under licenses from ZF of West Germany. The urban buses to be supplied to Caracas are of a design provided by another German group, MAN.

Two years ago Enasa concluded a joint venture with Daf, of the Netherlands, to develop and produce a heavy truck (20 tonnes to 40 tonnes) cab. Daf had done most of the development work and the total cost to be shared is about FF1.4bn (\$31.5m).

A new truck range, the T3-series incorporating the joint cab, will be launched next year and later the cab will be used on the Seldon Atkinson 300 and 400-series models in Britain.

The contact with MAN could blossom into something more signifi-

cant because talks have been held about Enasa taking the six-to-10 tonne trucks produced jointly by MAN and Volkswagen at Hanover.

The MAN-VW vehicles might even be assembled in Spain under licence - but the talks have some way to go yet.

Enasa is estimated to have suffered losses of Pta 16bn last year on sales of Pta 63bn. This was about twice the forecast loss because the company was pushed off-course by the collapse of a military truck order - a coup in Sudan caused the cancellation - which left it with 1,700 unsold four-by-four models. Negotiations are going on with several countries about these military trucks.

Mr Kurris said Enasa was already close to break-even at the operating level and would certainly produce an operating profit in 1987.

However, most of the company's capital has been absorbed by past losses and Enasa's chances of making a net profit depended on whether the Spanish Government agrees to another equity injection as part of the five-year plan being considered for decision next month.

As for the UK subsidiary, Seldon Atkinson's output this year should be about the same as the 1,700 for 1985.

Seldon's losses are gradually being reduced but there would be a small loss next year, Mr Kurris said, followed by a small profit in 1988 as the UK company started selling trucks with the new joint-venture cab.

All these securities having been sold, this announcement appears as a matter of record only. November, 1986

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Earnings at International Thomson fall

By Our Toronto Correspondent

INTERNATIONAL THOMSON Organisation (ITO), the Canadian-controlled publishing, travel and energy group, suffered a decline in net earnings to \$30m (US\$112m), equal to 27.5p per share, in the nine months to September 30, from \$36m, or 30.1p a share, a year earlier. Sales dropped slightly from \$1.57bn to \$1.51bn.

The setback is due to lower oil prices and the stronger pound. Expressed in sterling, oil prices received dropped from an average of £21.42 to £9.85 a barrel.

ITO said that information and publishing profits are well ahead of last year, with British regional newspaper and business magazines as well as US financial services and college publishers offsetting weak advertising revenues in the American business magazine market.

The 2.2m tour packages sold by the travel group last summer were more than double last year's total.

Mines restructure to raise Noranda cash

By BERNARD SIMON IN TORONTO

THE OWNERSHIP of one of three new gold mines in the Hemlo area of Western Ontario is to be restructured with a view to raising cash for Noranda, the debt-burdened Canadian mining and industrial group which is the mine's largest shareholder.

Four companies - Noranda, Golden Sceptre Resources, Golbath Gold Mines and Hemlo Resources - have agreed to combine their interests in the Golden Giant mine by forming a new, as-yet-unnamed public company. Noranda will own 62.5 per cent of the new unit, but plans to lower its stake to around 50 per cent through a public share offering.

Noranda is a minority shareholder in Golden Sceptre and Golbath Gold Mines. Other shareholders in each of these two companies will end up with 14.2 per cent of the Hemlo mine.

Should Noranda reduce its inter-

est in the mine below 50 per cent, proceeds from the sale of shares and the consolidation of the mine from its accounts would reduce its CSZbn (US\$1.2bn) debt by around CS\$70m.

Golden Giant, widely regarded as the jewel in Noranda's crown, will be one of Canada's three largest gold producers when it reaches full production of 300,000 ounces of gold a year in 1987. Its operating costs are comparable with the richest South African gold mines.

Meanwhile, an appeal has begun in Toronto against an Ontario Supreme Court judgment earlier this year ordering Lac Minerals to hand over another of the Hemlo gold mines to International Corona Resources.

Leo is disputing the trial judge's finding that it took control of the Williams mine by making improper use of confidential exploration data supplied by Corona.

Castle and Cooke profits rise sharply

By Charles Hodgson in New York

CASTLE & COOKE, the diversified US group, yesterday reported sharply higher net third-quarter earnings of \$2.1m compared with \$5.8m a year earlier.

The Los Angeles-based company, whose interests include fruit growing and other food products, real estate and transport equipment leasing, had third-quarter revenues of \$510.5m against \$473.6m last year.

For the nine months, Castle & Cooke reported net earnings of \$75.8m or \$1.41 a share, compared with \$48.7m, or 77 cents.

The company, which has been undergoing a financial restructuring, said that results for the first nine months of 1986 reflected an extraordinary charge of \$1.12m.

It added that the year-ago figures were pro-forma and were not necessarily indicative of what would have occurred had its merger with Field Van, a New York transport equipment leasing company, in July 1985, been consummated.

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November, 1986



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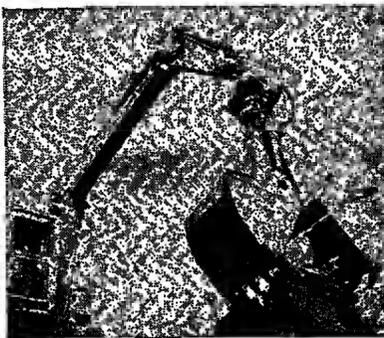
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The spherical plain bearing and the recent formation of the SKF Gleitlager production plant in West Germany, illustrates the success of SKF's overall priorities for growth and market leadership. A success that is, of course, shared in the field by our main ball and roller bearing business.

SKF leadership in rolling bearing technology usually points the way for our other product ranges. For instance, in the early 1960s SKF started a product development project based on the fact that ordinary plain bearings were unsuitable in cases of combined loads and multi-dimensional movements.

Group 9 - month statement

Group sales for the nine months January to September 1986 totalled 15,302 million Swedish kronor - a 602 million rise on the same 1985 period. Profit was 1,073 million (1,127 million in 1985) after financial income and expense.

The rolling bearing business climate strengthened less than had been expected at the start of the year. Demand for cutting tools and component systems also improved. The special steel market was however sluggish.

Ball and roller bearing contribution to Group income was 737 million kronor (€27), while steel accounted for 19 million (€12), tools for 129 million (175), and components and other products for 138 million (€12).

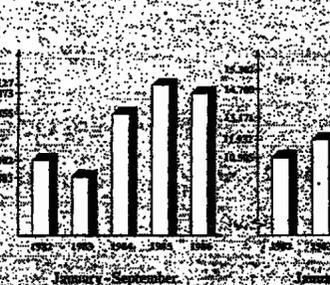
Earnings per share for the period were 22.05 kronor (€0.70).

Due to the recent merger of SKF Steel and the Finnish Ovakko group, steel operations as from the fourth quarter will no longer be included in the SKF Group's consolidated accounts.

Profit and invoiced sales for the Group in 1986 are expected to be about the same as in 1985.

Income after financial income and expense in MSK (1985 figure includes financial outcome differences)

Sales (MSK)



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S-415 50 Göteborg, Sweden



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| Stifel, Nicolaus & Company | Sutro & Co. |
| Tucker, Anthony & R. L. Day, Inc. | Thomson McKinnon Securities Inc. |
| Wheat, First Securities, Inc. | Underwood, Neuhaus & Co. |
| The Chicago Corporation | Cable, Howse & Ragen |
| Hanfen, Imhoff Inc. | First Albany Corporation |
| Investment Corporation of Virginia | First Manhattan Co. |
| Neuberger & Berman | J. J. B. Hilliard, W. L. Lyons, Inc. |
| R. Rowland & Co. | Laidlaw Adams & Peck Inc. |
| Van Kasper & Company | Needham & Company, Inc. |
| | Newhard, Cook & Co. |
| | Raymond James & Associates, Inc. |
| | Swergold, Chefitz & Sinsabaugh, Inc. |
| | Wedbush, Noble, Cooke, Inc. |

1,150,000 Shares

This portion of the offering is being offered outside the United States by the undersigned.

- | | |
|--|---|
| Goldman Sachs International Corp. | Merrill Lynch Capital Markets |
| Algemene Bank Nederland N.V. | Deutsche Bank Capital Markets Limited |
| Dresdner Bank Aktiengesellschaft | Morgan Stanley International |
| Nomura International Limited | N. M. Rothschild & Sons Limited |
| Salomon Brothers International Limited | Société Générale |
| Union Bank of Switzerland (Securities) Limited | Yamaichi International (Europe) Limited |
| Banca del Gottardo | Compagnie de Banque et d'Investissements, CBI |
| | Great Pacific Capital S.A. |

This announcement appears as a matter of record only

November, 1986

SPAREBANKEN SØR

(A Savings Bank organised under the laws of the Kingdom of Norway)

U.S. \$75,000,000

Euro-Certificate of Deposit

and

Euro-Commercial Paper Issuance Programme

Arranged by

First Chicago Limited and Westpac Banking Corporation

Dealers

First Chicago Limited

Westpac Banking Corporation

Kansallis Banking Group

Issuing and Paying Agent

The First National Bank of Chicago, London Branch

SPAREBANKEN SØR

(A Savings Bank organised under the laws of the Kingdom of Norway)

U.S. \$25,000,000

Revolving Credit Facility

Arranged by

First Chicago Limited and Westpac Banking Corporation

Participating Banks

The First National Bank of Chicago
Banco di Roma - London Branch
Credit Agricole
Kredietbank International Group

Westpac Banking Corporation
Banco di Roma International SA
Kansallis Banking Group
Union Bank of Norway

Facility Agent

Westpac Banking Corporation

U.S. \$100,000,000



Allied Irish Banks plc

Undated Floating Rate Notes
Subordinated as to payment of principal and interest

Interest Rate	6 3/8% per annum
Interest Period	20th November 1986 20th May 1987
Interest Amount per U.S. \$10,000 Note due 20th May 1987	U.S. \$320.52

Credit Suisse First Boston Limited
Agent Bank

U.S. \$40,000,000



Banamex

Banco Nacional de México, S.A.
Floating Rate Capital Notes Due 1987

Interest Rate	6 3/8% per annum
Interest Period	20th November 1986 20th May 1987
Interest Amount per U.S. \$10,000 Note due 20th May 1987	U.S. \$320.05

Credit Suisse First Boston Limited
Agent Bank

U.S. \$100,000,000

Taiyo Kobe Finance Hongkong Limited

Guaranteed Floating Rate Notes Due 2004



Guaranteed as to payment of principal and interest by

The Taiyo Kobe Bank, Limited

Interest Rate	6 3/8% per annum
Interest Period	20th November 1986 20th May 1987
Interest Amount per U.S. \$10,000 Note due 20th May 1987	U.S. \$311.09

Credit Suisse First Boston Limited
Agent Bank



Malayan Banking Berhad

US \$60,000,000

Negotiable Floating Rate Dollar
Certificates of Deposit due 1987 Tranche C

In accordance with the provisions of the Certificates, notice is hereby given that the rate of interest for the period from 20th November 1986 to 20th February 1987 has been established at 6 3/8% per cent. per annum. The interest payment date will be 20th February 1987. Payment, which will amount to US \$4,032.99 per Certificate, will be made against the relative Certificate.

Agent Bank
Bank of America International Limited

U.S. \$250,000,000

J.P. Morgan International Finance N.V.

Guaranteed Floating Rate
Subordinated Notes Due 1997

For the three months 20 November, 1986 to 20 February, 1987 the Notes will carry an interest rate of 6 3/4% per cent. per annum.

Interest payable on the relevant interest payment date, 20 February, 1987 against Coupon No. 19 will be U.S. \$161.82

By: CITIBANK, N.A., London
Agent Bank

£100,000,000 Guaranteed Floating Rate Notes due 1991

Citicorp Overseas Finance Corporation N.V.

(Incorporated with limited liability in the Netherlands Antilles)
Unconditionally guaranteed by
CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 11 1/4% and that the interest payable on the relevant Interest Payment Date, February 19, 1987, against Coupon No. 12 in respect of £50,000 nominal of the Notes will be £1,425.68 and in respect of £5,000 nominal of the Notes will be £142.57.

November 20, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

INTL. COMPANIES and FINANCE

CSR lifts first-half profits by 4% to A\$57.5m

BY ROBERT KENNEDY IN SYDNEY

CSR, the Australian sugar and resources company, yesterday announced a 4 per cent net profit increase to A\$57.5m (US\$37m) in the half-year to September. The company also revealed that it was considering the divestment of a minority interest in Delhi Petroleum, its major oil and gas investment.

Mr Gavin Campbell, CSR's finance director, said the performance in the half-year was pleasing in terms of it being achieved in difficult conditions. "However, the overall return to shareholders is still unsatisfactory."

Nevertheless, the company has nearly completed streamlining moves and hopes the benefits will flow through in the second half and next year.

Mr Campbell said the success-

ful restructuring of the Delhi debt represents a watershed for CSR, and the company is continuing to look for ways to improve the value of the Delhi business.

"One of the ways we have examined is the possibility of selling a minority interest in Delhi but we have yet to get involved in any talks along these lines and it's too early to say that it is a definite course of action."

The oil and gas activities are contributing substantially to CSR's profits despite the low oil price and it is hoped that a further restructuring in this area will result in a largely self-funding business with its management focus concentrated on the field.

"Oil and gas is a relatively

high-risk industry and requires a different approach to capital and risk management from that appropriate to more stable industries like sugar and building materials, said Mr Campbell.

CSR's sugar profits were better in the half as a result of better efficiency and higher prices. The cement, concrete and quarrying, timber products and alumina operations performed favourably.

The company's interest bill jumped from A\$30.18m to A\$39.82m as a result of bringing the Delhi debt on to the balance sheet, but that move was also reflected in a reduced tax bill from A\$52.84m to A\$27.49m. Sales were A\$1.2bn against A\$1.25bn.

CSR has declared an unchanged interim dividend of 9 cents per share.

Japanese banker calls for reforms

By Ian Rodger in Tokyo

MR YOSHIRO ARAKI, chairman of the Federation of Banking Associations of Japan, has called for the complete removal of barriers between different types of financial institutions in Japan.

Mr Araki, who acts as spokesman for Japan's banking industry, also strongly hinted that the country's huge postal banking system should be abolished as part of the current liberalisation of financial markets.

Speaking to the Institute of Foreign Bankers, he said that deregulation of short-term interest rates was the next item on the agenda, but it would be difficult to achieve this without reforming the postal banking system.

He pointed out that the postal banking system, which does not operate on market-related interest rates, held 33 per cent of the total savings by individuals in Japan. "If this system is not reformed, they could cause serious market control and disrupt the banking industry."

Mr Araki, who is also chairman of Fuji Bank, noted that postal savings systems in the US and Canada had been abolished in the 1960s. In Holland, the postal system would be privatised this year, would be privatised this year.

Mr Araki also said that the present law which obliges banks and securities companies to specialise in one type of financial business was no longer capable of satisfying the country's needs. "My view is that, in a regulated environment, everything becomes homogeneous but, in a deregulated market, people become truly specialised."

ACI ahead before write-off

BY OUR SYDNEY CORRESPONDENT

ACI INTERNATIONAL, the diversified Australian packaging group, yesterday reported a 15 per cent increase in net profits to A\$35.8m (US\$23m) in the half year to September.

The result excludes an extraordinary write-off of A\$99.2m related to foreign exchange losses on the financing of ACI's Queensland coal operations. A

non-recurring gain of A\$16.6m was recorded in the 1985 first half.

The improved operating outcome was achieved despite a severe downturn in the Australian building sector in recent months. Dr Brian Scott, ACI's chairman, said the figures showed that the company was maintaining its steady growth.

Sales edged up from A\$1.07bn to A\$1.09bn, and the interim dividend has been maintained at 8.5 cents per share.

On the immediate outlook, Dr Scott warned: "The rest of the year is likely to present more difficult trading conditions. There is little in the economy that gives us much cause for optimism."

Sharp rise in Santam earnings

By Jim Jones in Johannesburg

THE winding down of South Africa's short-term insurance rates war has contributed to a two-thirds increase in after-tax profits at Santam Insurance, although the company was unable to eliminate its underwriting losses.

The company increased its gross premium income to R549m (\$245m) in the year to September from R430m in the previous year. The underwriting loss was cut to R8.7m from R3.9m after-tax profits were lifted to R15.1m from R9.0m.

In the past year, Santam doubled the number of its issued shares to 70m from 35m. As a result, earnings per share have fallen to 21.5 cents a share from 25.8 cents and the dividend has been raised to 13 cents from 12 cents.

Elron Electronic in the black at six-month stage

BY JUDITH MALTZ IN TEL AVIV

ELRON Electronic Industries, the Israeli high-technology holding company, has achieved net profits of US\$2.1m for its first half to September, following a heavy \$22.6m loss in the corresponding period last year.

Sales for the company, whose shares are traded over-the-counter in New York, showed a 20 per cent rise above their previous year's level to \$79.2m.

Last year's losses were due to the company's \$24.4m write-off of loans and investments in

Elscint, its troubled subsidiary, which makes medical imaging equipment. Elscint suffered record losses of \$16.6m in 1985-86.

According to Mr Uzia Galil, the president of Elron, the major contributor to profits this year was another subsidiary, Elbit, a manufacturer of military communications equipment and commercial computer systems. The subsidiary, in which Elron holds a 66 per cent stake, earned \$6.6m.

Strength in HK property values

BY OUR FINANCIAL STAFF

A GOVERNMENT land auction in Hong Kong yesterday fetched HK\$465m (US\$82.7m) for a prime residential site, a price at the high end of local expectations which provides the latest in a series of indicators

of strength in the territory's property market.

Sino-Heary and Enterprises (China) Limited, the Hong Kong-based developer, won the bid for the 185,550 sq ft of land at North Point.

JAPANESE COMPANY RESULTS

DAIWA HOUSE INDUSTRY HOUSEBUILDING			OHYAYASHI CONSTRUCTION		
Half-year to	Sep 86	Sep 85	Half-year to	Sep 86	Sep 85
Revenue (bn)	167	176	Revenue (bn)	391	388
Pre-tax profits (bn)	9.81	2.57	Pre-tax profits (bn)	10.56	10.04
Net profits (bn)	4.12	1.06	Net profits (bn)	3.52	3.22
Net per share	0.94	0.43	Net per share	6.26	3.67
Dividend	0	0	Dividend	3	3
PARENT COMPANY			PARENT COMPANY		

MITSUBISHI ESTATE PROPERTY			OMRON TATESEI ELECTRONICS CONTROL EQUIPMENT		
Half-year to	Sep 86	Sep 85	Half-year to	Sep 86	Sep 85
Revenue (bn)	102	98	Revenue (bn)	118	112
Pre-tax profits (bn)	21.43	22.28	Pre-tax profits (bn)	2.29	3.99
Net profits (bn)	12.21	11.27	Net profits (bn)	1.51	2.54
Net per share	10.14	3.70	Net per share	8.80	14.86
Dividend	3.50	3.20	Dividend	5.50	5.50
PARENT COMPANY			PARENT COMPANY		

Weekly net asset value

Tokyo Pacific Holdings (Seaboard) N.V.
on 17th Nov 1986 U.S. \$123.65

Listed on the Amsterdam Stock Exchange

Information: Pierson, Holding & Pierson N.V., Herengracht 214, 1016 BF Amsterdam.

Notice of Redemption

Sanwa International Finance Limited
U.S. \$50,000,000
1 1/4% per cent. Guaranteed Notes due 1989

Unconditionally and irrevocably guaranteed as to payment of principal and interest by

The Sanwa Bank, Limited

NOTICE IS HEREBY GIVEN that, pursuant to Condition 5 (c) of the Notes, Sanwa International Finance Limited (the "Issuer") has decided to redeem on December 22, 1988 (the "Redemption Date") all of its outstanding 1 1/4% per cent. Guaranteed Notes 1989 (the "Notes") at 101 per cent. On and after the Redemption Date, interest on the Notes will cease to accrue and unredeemed Coupons will become void. The Notes should be presented and surrendered to the Paying Agents as shown on the Notes on the Redemption Date with all interest coupons maturing subsequent to the said date.

Sanwa International Finance Limited

November 20, 1986, London
By Citibank, N.A. (CSSI Dept.), Fiscal Agent **CITIBANK**

NOTICE TO BONDHOLDERS OF

Sekisui House, Limited
US\$50,000,000
3 per cent Convertible Bonds due 1999
(the Bonds)

Pursuant to Clause 7, Subclause (B)(iv) of the Trust Deed relating to the Bonds, Notice is hereby given as follows:

At the meetings of the Board of Directors of Sekisui House, Limited (the Company) held on October 20, 1986 and October 28, 1986 the resolution was adopted on the issue of US\$300,000,000 3 1/2 per cent Guaranteed Bonds due 1991 with Warrants, the payment of which was made on November 13, 1986.

Pursuant to Condition 5 (C)(iv) of the Terms and Conditions of the Bonds, the conversion price was adjusted from Yen 612.0 to Yen 605.8 per share of Common Stock of the Company effective as from November 14, 1986 Tokyo time.

Sekisui House, Limited
2-27, 6-chome, Nakano-cho
Kita-ku
Osaka 530

20th November, 1986

U.S. \$15,000,000

THE FUJIKURA CABLE WORKS, LTD
(Fujikura Densen Katsushiki Kaisha)
(Incorporated with limited liability in Japan)
GUARANTEED FLOATING RATE NOTES DUE 1987

FIWCC

unconditionally and irrevocably guaranteed as to payment of principal and interest by

THE MITSUBI BANK, LIMITED
(Kabushiki Kaisha Mitsubishi Bank)
(Incorporated with limited liability in Japan)

In accordance with the provisions of the Notes and Agent Bank Agreement between The Fujikura Cable Works, Ltd. (the "Mitsubishi Bank, Limited" and Citibank, N.A. dated May 7, 1980, notice is hereby given that the Rate of Interest has been fixed at 6 3/4% per cent. and that the interest payable on the relevant Interest Payment Date, May 20, 1987, against Coupon No. 14 in respect of US\$5,000 nominal amount of the Notes will be US\$166.24.

November 20, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

AIBD BOND INDICES
WEEKLY EUROZONE GUIDE NOVEMBER 14 1986

Country	Yield	Change on Week	12 Months High	12 Months Low
US Dollar	8.699	0.092	10.480	8.437
Australian Dollar	14.062	-0.347	14.430	12.830
Canadian Dollar	10.356	-0.538	11.704	10.3% ¹
Europe/ilder	5.877	0.530	6.314	5.804
Euro Currency Unit	8.758	-0.307	9.524	8.164
yen	4.386	-0.442	7.250	6.417
Sterling	11.542	1.450	11.932	9.251
Deutschemark	6.445	-0.340	7.100	6.318

Bank J. Ventobel & Co Ltd, Zurich • Telex: 812744 JVZ CH

CITICORP BANKING CORPORATION
U.S. \$50,000,000 Floating Rate Notes due August 20, 1989

Notice is hereby given that the Rate of Interest for the period November 20, 1986 to February 20, 1987 has been fixed at 6.20% and that the interest payable on the relevant Interest Payment Date, February 20, 1987 against Coupon No. 2 in respect of US\$10,000 nominal of the Notes will be US\$158.44.

November 20, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

J.P. Morgan

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Thomson Brandt issue offers interest hedge

BY HAIG SIMONIAN

A BATCH of US economic statistics gave dealers plenty to chew over in the Eurobond market by yesterday.

In the secondary market for straight dollar issues, prices rose in the morning on the back of firmer US Treasury bond prices at New York's close on Tuesday.

1992 bond for Mutual of America Life Insurance Company, priced at 101 1/2. The borrower, which is the 48th largest life insurance company in the US, was making its first Euro-offering.

Yamachi International (Europe) led a \$100m 7 1/2 per cent 1991 bond for Canon. The Japanese electronics group, priced at 101 1/2. The non-callable issue was quoted at less than 1 1/2, stalling its 1 1/2 per cent fee.

Colgate Palmolive, priced at 101 1/2. This is the borrower's first Australian dollar deal, and is only its third Euro-market borrowing.

Despite the recent revival of the Australian dollar paper, there is still investor demand for five year paper, according to the lead manager, which thinks the household name and high coupon will attract Continental investors who feel the worst problems for the Australian currency are now over.

ENEL plans to tap US paper market

By Peter Montagnon, Euromarkets Correspondent

ENEL, Italy's state-owned electric utility, is to start raising money in the US commercial paper market.

Yesterday it launched through Merrill Lynch a \$200m note issue facility in the Euromarkets designed to back up the paper programme.

Peter Montagnon on a survey of lending to developing nations Banks slow to build reserves

ONE OF the great uncertainties surrounding the developing country debt shock has been the question of how quickly the international banking system could cope with any major disruption of debt service on the part of countries in financial difficulties.

Four years after the crisis first broke, it is generally assumed that the system would be better able to cope. Not only have leading banks increased their capital substantially, they have also begun to build up substantial loan loss reserves against their developing country exposure.

national banking system to these countries, which stands at \$235bn. However, their loan loss provisions are among the lowest of any national grouping of banks.

Yot a new survey of the international banking system carried out by the London-based IBCA Banking Analysis suggests that the protection banks have built up in this way is still far from complete. In fact, banks in the countries with the heaviest exposure — the US, the UK and Japan — are still a long way from reaching levels of provision that IBCA regards as prudent, and even further from provisions that reflect the secondary market value of their loans.

France there are no formal rules on provisions, but IBCA says most big banks have set up large reserves. Banque Nationale de Paris and Societe Generale reserves are running at over 30 per cent, while Credit Lyonnais has somewhat less.

IBCA offers no figures on Italian banks, which have been among the more reluctant to join in debt rescheduling packages for the debtor countries. However, Italian banks have a total exposure to the 10 Latin American debtors of only \$3.4bn and so the problem for them is small anyway. In Spain, where banks are equally resistant to new rescheduling packages, most large banks

rescue effort for Mexico, which is to include a fresh \$6bn credit, as "clearly bad banking." Mexico is already a bad credit risk and banks are being asked to pour good money after bad.

Commercial banks have, however, made themselves vulnerable to such a situation by what Mr Munro-Davies regards as their "imprudent" failure to build up loan reserves in the four years since the debt crisis broke.

INTERNATIONAL BONDS

1991 par priced equity warrant attached by Yamachi International (Europe) and guaranteed by Mitsui Bank. The coupon, indicated at 2 1/2 per cent, will be set on November 26.

The warrant exercise premium is expected to reach 100 per cent of the company's present share price. Continuing last week's revival of the yen-dominated sector, the Kingdom of Sweden issued a Y250m 5 1/2 per cent 1991 bond, priced at 101 1/2 and led by Nomura International.

Eurocredit for African bank

BY PETER BLACKBURN, RECENTLY IN LOME

THE LOME-BASED Banque Océan Africaine de Développement (Boad) has made its first venture into the Euromarket with an Ecu 14m credit due to be signed in Geneva tomorrow.

common currency, the CFA franc guaranteed by the French Treasury.

The Euroloan is a first step towards a credit rating and access to the international bond market. Mr Yao Houmouvi, Boad finance director, said in Lome.

Frankfurt bourse to upgrade prices system

BY ANDREW FISHER IN FRANKFURT

THE Frankfurt Stock Exchange, which accounts for half of all Europe turnover in West Germany and has seen the value of dealings soar this year, is to install a new DM 6m (\$3m) price recording system which it says will be the largest in Continental Europe.

Sydney in gold futures link with New York

By Chris Sherwell in Perth

THE WORLD'S first gold futures contract to be traded on a two exchange link is being launched today in Sydney and New York.

Chinese funding in Singapore

THE Fujian Investment and Enterprise Corporation (FIEC) of China has launched a 10-year US\$50m bond issue in Singapore.

A\$50,000,000

14 3/8% Notes Due November 1989

N.V. Nederlandse Gasunie

Salomon Brothers International Limited, Algemene Bank Nederland N.V., Bank Brussel Lambert N.V., Bank Mees & Hope N.V., Banque Générale du Luxembourg S.A., Banque Nationale de Paris, Bear, Stearns International Limited, Daiwa Europe Limited, E F Hutton & Company (London) Ltd, McCaughan Dyson & Co. Limited, Nederlandsche Middenstandsbank N.V., Pierson, Holding & Pierson N.V., Rabobank Nederland, Tokai International Limited, Vereins- und Westbank Aktiengesellschaft

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 19.

Table with columns for Bond Name, Issued, Maturity, Price, Yield, and Change. Includes sections for US DOLLAR STRAIGHTS, SWISS STRAIGHTS, and CONVERTIBLES.

INTERNATIONAL BONDS

Table with columns for Bond Name, Issued, Maturity, Price, Yield, and Change. Includes sections for SWISS STRAIGHTS, CONVERTIBLES, and Floating Rate Notes.

INTERNATIONAL BONDS

Table with columns for Bond Name, Issued, Maturity, Price, Yield, and Change. Includes sections for SWISS STRAIGHTS, CONVERTIBLES, and Floating Rate Notes.

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Table with columns for Bond Name, Issued, Maturity, Price, Yield, and Change. Includes sections for SWISS STRAIGHTS, CONVERTIBLES, and Floating Rate Notes.

UK COMPANY NEWS

RHM ahead 28% thanks to big rise from bread

ADVANCE IN the bakery and grocery divisions helped push profits of Rank Hovis McDougall up by 28 per cent to £90.8m in the year ended August 30 1986.

Group sales showed an 8 per cent rise from £1.3bn to £1.4bn. Shareholders are to receive a 25 per cent increase in their dividend. The final is 4.49p against 3.57p.

Sir Peter Reynolds, chairman, said yesterday that the opening two months of the current year were well ahead of last year, and "I expect this encouraging trend to continue."

Net operating costs this year included £1.5m (£1.1m) for rationalisation offset by £1.3m (£1.7m) profits on property sales. Below the line there were extraordinary costs of £7.4m (£10.5m), after charging £12.3m (£15.1m), before tax, for redundancies and closures.

Sir Peter said the packaged cake business (Mr Kipling) again produced excellent results, with profit up £1.7m to £15.2m. The grocery division rose to £15.6m (£10.9m), helped by the development of new products,



Sir Peter Reynolds, chairman Rank Hovis McDougall

successes in soft drinks and recent acquisitions.

In the milling and bread baking interests the profit jumped by £1m to £35.4m. Within this British Bakeries produced results which amply justified the investment programme embarked upon some

five years ago, said the chairman.

General products side lifted its profit by £2.5m to £3.6m. It operates in diverse markets such as dairy products, mushrooms, chocolate, food mixes and pasta, and those showed further improvements; while its growing retail operations recorded excellent figures.

Overseas operations were ahead of last year with a return to encouraging profits from the US—up to £9.5m (£8.8m). Profits emanating from the Pacific Region were likewise ahead, but in sterling terms fell marginally to £12.4m (£12.7m).

Associated companies and other investments accounted for £5.2m (£1.6m) with property transactions being the principal reason for the growth. Interest charges rose to £12.6m (£8.8m) reflecting the need to finance a number of acquisitions and the higher cost of imported wheat stocks.

Earnings per share were 20.7p (15.5p), pre-extraordinary items, but were after tax of 23.1m (£23.2m) and minorities 23.7m (£23.6m).

See Lex

AE in threat to nominee holders

By David Goodhart

The engineering group AE is threatening to disenfranchise about 8 per cent of its shareholders unless the nominee accounts which hold the shares disclose their beneficial owners.

AE is currently resisting a final £270m bid from Turner & Newall and has agreed to merge with Mr Robert Maxwell's Hollis Group to frustrate the Turner bid.

However, AE fears that if the battle is close its fate could be decided by US arbitrators. Mr David Allday, the AE finance director, said last night that the ownership of 7 to 8 per cent of the company's shares remained unclear.

In the past week, more than 50 letters have been sent to nominee account holders asking for information about the shares under section 212 of the Companies Act. If this information is not forthcoming then AE will seek to disenfranchise the shareholders under its own articles of association.

AE also appears to be trying to capitalise on the current anxiety surrounding insider trading and is seeking information about shareholders who bought shares in the weeks before T&N's first bid for AE was announced last June. Mr Allday said: "We would like to find out who they are and ask them if they received any information about the bid."

The T&N bid—which is mainly above the Hollis bid—closes on December 5. It is widely expected that if Hollis remains serious about its first major move into engineering then it will increase its own offer a final time to make victory certain.

In the meantime, AE is expected to launch a fresh attack on the continuing liabilities arising from T&N's asbestos exposure. AE has already made the asbestos link—along with its African connection—one of the main planks of its defence, but Mr Allday said yesterday: "We may have some new evidence to provide on this."

Ulster TV makes voting changes

Ulster Television yesterday announced details of the proposed enfranchisement of its non-voting shares.

The independent television contractor will also ask shareholders to approve amendments limiting individual stakes to 10 per cent, in order to satisfy the Independent Broadcasting Authority's requirements for continuing control.

Ulster TV intends to create a single class of share. Holders of the current 710,000 voting shares will be issued one new share for every eight held to compensate for the dilution of voting rights.

After these are added to the 4,09m ordinary shares, which at present carry no vote, to make a total of 4,808,750 shares, there will be a one-for-one scrip issue.

Clay Harris on the changes taking place at Gestetner

Going for international stardom



Mr Basil Sellers (centre), chairman-designate of Gestetner, together with Mr David Gestetner (left) who will remain group managing director and Mr Gregory Melgaard, who is to become deputy chairman.

GESTETNER is a plain but faithful friend to the secretarial pool. Speedo cuts a more splashy figure in the Olympic swimming pool.

But the world's most famous names in office duplicators and racing swimwear have this much in common: an Australian manager wants to develop them into international superstars.

AFP Investment Corporation discovered Speedo close to home. It took over the family-run Australian company earlier this year, convinced that the brand could be developed into what one analyst calls "the Adidas of the water."

A similar calculation led AFP to this week's agreement to take over management control of Gestetner Holdings, the office equipment group which has failed in recent years to realise the full potential of a century-old brand name.

In return for £142m in new capital over five years, the Australian company will be able to increase its holding to 55 per cent.

"The Gestetner brand is extremely attractive to us," says Mr Basil Sellers, AFP managing director and chairman-designate of Gestetner.

Despite a name that is almost a generic synonym for the office duplicator and a worldwide distribution network, Gestetner has staggered from one problem to another and has been slow to react to changing market conditions.

It was slow to rationalise its production of stencils and duplicators, slow to get out of mid-volume photocopiers, slow to abandon its practice of making all components in-house, slow even to enfranchise its ordinary shares.

After a 40 per cent rise in pre-tax profits in 1984-85, most analysts now expect a fall in the year which ended a few weeks ago. Shareholders will get a forecast—but not results—before they vote on the AFP deal.

Mr Sellers, however, insists: "We must underestimate the management skills the company has."

Mr David Gestetner will remain as group managing director, and he and his brother, Jonathan, will remain on the board after stepping down as joint chairmen.

The board will comprise equal numbers of Gestetner and AFP representatives, but Mr Sellers will have the casting vote.

Mr David Gestetner is sanguine about the passing of options have been limited by the availability of funds. In addition to new capital, "the new management control will give a new vision, less hid-bound by the past."

Mr Jane Ansoncombe of Barclays de Zoete Wedd concurs: "They are a step away from the nitty gritty of the business, which perhaps would allow them to take a more dispassionate view."

Mr Gestetner and Mr Sellers are less forthcoming, however, about plans for new products.

The former will only say: "We have specific proposals in-house that we have been working on."

If Speedo is any model, the trend could well be towards putting the Gestetner name on products designed—or even manufactured—by other companies. AFP has sold Speedo's European manufacturing operations to John Crowther and a similar sale is believed to be in the offing in North America. It will receive licence income of about 4 per cent of sales.

"Photocopiers made under licence from Mita of Japan are already Gestetner's single biggest product."

The brand identity has other benefits. "People like an old-fashioned name when it comes to service," Mr Gestetner says.

Mr Sellers and his colleagues openly admire the international success of Eiders Ltd, the Australian drinks to agriculture group, in developing brands such as Fosters Lager.

Mr Peter Scanlon, who will be one of AFP's directors on the Gestetner board, was a key figure in the growth of the Eiders group. AFP controls an

option over 26 per cent of Eiders' capital.

With a market value of about A\$600m (£224m), AFP's other major investment is a 41 per cent stake in Lintas Group, Australia's largest textile company and owner of radio and television stations and broadcast production facilities.

Lintas was the creation of Mr Sellers' National Textiles and Mr Abraham Goldberg's Extra, erstwhile Milder for Total, and was responsible for the rationalisation of the Australian textile industry. Mr Sellers previously was a stock broker and property developer.

Gestetner's share price (down 5p to 130p yesterday) kept above the 175p at which Horne Govett, AFP's adviser, has offered to buy any shares. The Australian brokers in London believe that this reflects not so much the hope of a better offer as a vote of confidence from Mr Sellers' compatriots.

AFP itself will pay 140p per share for its initial 18 per cent stake, and 170p for the additional 40 per cent.

Sketchley ready to expand

Sketchley, the workwear rental and dry cleaning group, recorded a £644,000 drop in pre-tax profit to £5.55m in the half year ended September 26 1986.

New businesses contributed £642,000 to trading profit. Not all the funds from US disposals were re-deployed into new businesses so the group liquidity remained exceptionally strong.

Existing businesses improved their profit to £4.59m (£4.32m), but discontinued activities contribution fell to £295,000 (£1.51m), leaving the operating profit at £5.55m (£3.07m) from sales of £70m (£78.6m).

The directors said that not all benefits had been fully realised from the considerable investment made; but success could already be seen in record turnover produced by the UK and Canadian retail divisions.

The strong and growing base established, placed the group in an excellent position to develop and expand in the service sector. Further acquisitions were being sought.

The group entered the vending and catering business through the acquisition of

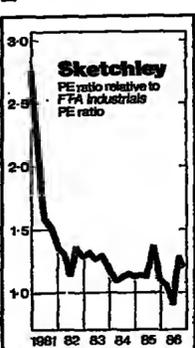
Breakmate, and workwear manufacture by buying CCM. Also, a number of small acquisitions were made.

Yesterday it said its next move would be into the removals business, where it would build up a chain of small regional removal units which could effectively compete with Pickfords, the present market leader. To build up to the required scale of business would take about three years.

The pre-tax profit included exceptional credits £97,000 (£97,000) and interest charges £78,000 (£841,000).

Earnings came to 16.8p (16.6p) and the interim dividend is raised to 6p (4.7p) to reduce disparity. Last year the final was 12.8p and the pre-tax profit £11.6m.

There was an extraordinary loss of £1.44m this time. This applied principally to the loss of some £1.8m on the disposal of Sketchley Diaper Services in September, offset by a gain of £400,000 on the sale of the remainder of the business of Sketchley Services in May—that was in addition to the



gain recorded in the last year.

comment

Sketchley's results are like a set of dirty overalls; one needs to scrape off the surface grime before they can look their best. The loss of the US diaper business has hit the bottom line, even before the extraordinary charge, and the companies bought as replacements, Breakmate and CCM, though performing well, have not yet had chance to make up the gap. But the Sketchley cleaning outlets have increased both sales and market share, Canada has picked up and the workwear division has managed to stand still despite the problems at its major customer, the Coal Board. Much still depends on the success of the remaining parts of Mr Glenn's strategy—to develop a removals business and a "fourth leg." It will be another year or so before investors are likely to be able to make a judgment on that—in the meantime, pre-tax profits of £11m put the shares at 416p on a p/e of 12.2. That does not seem overpriced.

Stohtert & Pitt £6m in red

By David Goodhart

Stohtert & Pitt, the loss-making Bath-based crane-maker which has agreed to takeover by Mr Robert Maxwell's Hollis Group, last night revealed pre-tax losses of £6.3m in the 15 months to September 30 1986.

The directors said that cash constraints badly affected production throughout the group, with particular severity in the final quarter. Contractors plant division suffered from the move to a new site and the worsening position in the oil industry hit the crane division.

Turnover was £31.9m, interest charges £379,000, and extraordinary items £2.5m. The extra-

ordinary items include £1.4m attributed to reorganisation and redundancies.

Redundancies decided upon after the year end.

Mr George King, the former chairman and chief executive who was removed as chairman on November 14, is maintaining that no action should have been taken against him by the new board until after the EGM to approve the Hollis deal.

Mr King believes he has been made a scapegoat for the company's problems, despite effectively starting to tackle them over 14 months as chairman.

Default cost Jessups £0.7m

Jessup, Romford-based motor dealer, has made an exceptional provision of £700,000 as the result of a substantial default which it said appeared to involve external fraudulent conversion of leased vehicles and other criminal acts.

The provision, which Jessups said represents the maximum possible for cut pre-tax profits to £1,027,000 (£1,573,000) in the year to August 31.

The default also resulted in an additional £343,000 tax

charge because of the reduced cost of the leasing fleet.

The transactions in question involved more than 100 of the company's 3,500 leased vehicles, Mr Alan Jessup, chairman, said yesterday.

The company said that a thorough review of its leasing operations confirmed that the default was the result of "an isolated, though regrettable, occurrence." The transactions were under investigation by police and VAT authorities, Mr.

Jessup said.

The company, a Vauxhall/Opel and Ford main dealer, lifted turnover to £71m (£55m).

Directors recommended a 3p (2.75p) final dividend to make a total of 4.5p (4p). The increase reflected the belief that the debt was exceptional and that progress was continuing.

The additional tax charge, making a total of £784,000, reduced after-tax profits to £243,000 (£1,112,000). Jessups' share price closed down 4p to 304p.

New look WSL returns £3.29m

By Clare Pearson

WSL Holdings, the specialist travel operator which has been expanding by acquisitions, yesterday announced a pre-tax profit of £3.29m for the 17 months to the end of August. The figure includes a contribution of £818,000 from companies before they became part of WSL, so £2.48m is attributable to the group.

During the period, the company was transformed from a shell holiday business into a travel operator specialising in children's holidays. It is now UK market leader in school tours following its 75 per cent acquisition of H & C Travellers in 1985 and 100 per cent acquisition. It has recently acquired an air-seat broking arm with its takeover of Pilgrim Air, which specialises in Italian routes.

Mr Peter James, chairman, said that WSL would be continuing to look at other takeover targets but it had "no intention whatsoever" of moving into mainstream travel business.

Yesterday WSL's shares closed at 150p, down 31p on the day. This valued the company at £28m. The directors are recommending a 1p net final dividend.

Electra net assets up 6%

Electra Investment Trust, which lays particular emphasis on investments in the unlisted sector, saw its fully adjusted net asset value per share rise by 5.8 per cent in the six months to September 30, to £201.65p against 189.82p at the start of the period. The FT Actuaries All-Share index declined by 5.15 per cent over the same period.

It reported attributable profits of £3.39m, up 10.4 per cent over the same period of last year. Net assets were up from £293m in March to £312m.

Earnings per share, at 2.27p, are 9.9 per cent ahead and an interim dividend of 2p per ordinary share has been declared, representing an 11.1 per cent increase on last year's 1.8p.

Mr Michael Stoddart, the chairman, said that Electra's emphasis on the unlisted sector meant that capital growth tended to be uneven and measurement of success had to be made over a number of years, rather than over individual reporting periods. He looked forward to continuing

growth in value.

During the six months, Electra invested about £31m in unlisted securities, more than half of which related to management buy-outs, primarily in the UK.

The group is currently backing the proposed management buy-out at printing group McCorquodale in the face of a hostile bid. This is through the trust's involvement in the Electra Candover Direct Investment Plan, an institutional fund for larger buy-outs.

Hawker Siddeley US acquisition

Hawker Siddeley, the international industrial and mechanical engineering group, has continued its active strategic acquisition policy with the purchase of another US instrument company, A and M Instrument, for \$7.7m (£5.5m) in cash.

This purchase follows the acquisition in July of Dayton Corporation, another US based measurement and control instrument company and brings Hawker's total investment in seven US acquisitions to £105m in little over a year.

FKB to acquire promotions company

FKB Group has conditionally agreed to acquire Canterbury-based FDS Promotions, the leading promotions company in duty free marketing in the UK and Europe.

Initial consideration of £520,000, payable on completion, will be satisfied by the issue of 224,623 FKB ordinary shares. Total consideration is a £1.75m maximum dependent on FDS's profits over the years to 1991. The vendors have warranted pre-tax profits of not less than £100,000 for the 55 weeks to March 1987.

Goodwin shares

Goodwin, the engineering company, yesterday said that no approach had been made to it with a view to an acquisition. Shares in the company had risen to 85p but following the director's statement they closed down 10p to 58p.

New court suspended

Shares in New Court Natural Resources, the small independent oil company which is currently being reshaped by Mr Mark Vaughan-Lee, a former MIM executive, were suspended yesterday at 131p at the company's request pending a statement about an acquisition.

This announcement appears as a matter of record only.

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PROFITS UP 77%

Seventh half year of profit progress

INTERIM RESULTS

Six months to 30th September

		1986 £M	1985 £M
*Profit before tax	up 77%	3.0	1.7
*Turnover	up 12%	63.6	57.0
*Earnings per share	up 44%	1.92p	1.33p
*Interim dividend	up 51%	0.25p	0.165p



J.P. 11/20/86

UK COMPANY NEWS

Whitbread rises to £80m despite downturn in US

Whitbread and Company, one of Britain's largest brewers, made good progress in the first six months of the 1986-87 year and for the period increased its profits to £79.8m at the pre-tax level.

That compared with a revised £68m for the same months of the previous year and with City expectations of £75m. Last time's published figure of £65.5m was adjusted after certain changes had been made in the accounting policies following revision of SSAP 6.

The directors, headed by chairman Mr Sam Whitbread, pointed out that the management team in North America was performing well despite uncertainties in the market and added that the establishment of European Cellars and the recent strengthening of the soft drinks interests would benefit Whitbread in the future.

In the US, spirit sales were 8 to 10 per cent down during

the half year reflecting the imposition of a Federal excise tax of some 19 per cent in October 1985 and also the general pressures on alcohol consumption in the US.

Overall it was expected that group progress would be maintained for the full year and that in the second six months, results from the retailing operations (Threshers, Beefeater and Pizzis Hut) would be strong.

Group turnover for the first six months (to August 30 1986) improved from £723.3m to £746.7m and at the trading level profits showed an increase of £4.8m to £88.4m — apart from its own Whitbread brands the group's regional sales include Flowers, Fremelin, Wethereds and Chesters.

Beer-brewing and wholesaling increased its profits contribution from £44.8m to £50.4m while retailing — managed outlets, restaurants and leisure activities — turned in £3.8m

more at £33.5m.

Wines, spirits and soft drinks production blending and wholesaling chipped in £11.5m, down from last time's £14.5m.

Retail property disposals added £3.2m (£2.5m) and income from corporate related companies, property development and investments increased to £4.8m (£3.8m).

Central services accounted for £9.9m (£9.4m) and interest charges for £18.7m (£20.6m).

Tax rose by \$6.8m to £25.8m and left net profits £5m ahead at £54m.

Earnings improved to 13.57p (12.46p) basic and to 13.90p (12.26p) fully diluted. The interim dividend is being stepped up to 2.5p net, an increase of 11.1 per cent over last time's 2.25p.

Published pre-tax profits for the 1985-86 year improved from £110.1m to £129.6m. The final dividend was 5.55p. See Lex

Maxwell thwarted in US expansion bid

PUBLISHER Mr Robert Maxwell, chairman of British Printing and Communications, said in New York that he had made an offer for the magazine business of CBS Inc, but was told the unit was not for sale.

He declined to say how much he offered.

A spokesman at CBS stated that the magazines had never been offered for sale, and declined to discuss Mr Maxwell's offer or say whether it had received other approaches.

There were widespread

reports in the industry after Mr Laurence Tisch became acting chief executive of CBS two months ago that the magazines would go up for sale.

The magazine unit consists of about 12 publications including Woman's Day. Mr Maxwell said his interest was part of a strategy of expanding printing and activities in the US.

Since Mr Tisch was appointed, the company had announced agreements to sell its educational and professional publishing units and a music publishing business.

BOARD MEETINGS

TODAY	Chelsea Man	Dec 1
Interim—BET, Bechtel, Boots, Brown, Cable and Wireless, Checkpoint Europe, Cheshire Whitehead, Clifden, OOF, Ernst, Fulcrum Investment Trust, Harwood Foods, Premier Group, Scanlon, TR North America Investment Trust, Walker and Staff, Witan Investment.	Country and New Town Prop., Fender Danays Systems, Greene King, Lewmar, Marshall Hall, Michael (John) Dalgan, TR Technology Investment Tr.	Dec 2, Dec 2, Dec 12, Nov 28, Nov 24, Dec 2, Nov 24
FUTURE DATES	FOC	Dec 2
Interim—	Campan and General Seca, Royal Bank of Scotland	Nov 21, Dec 4
Chapman Industries		Dec 9

DIVIDENDS ANNOUNCED

Company	Amount	Date	Notes
Avana Group	5.25	April 7 5	— 12
Barton Hill	1.054	Jan 2 0.9	— 3.25
Black Arrow	2	Jan 23 1.75	— 5
Electra Investment	2	Jan 23 1.8	— 3.5
John Foster	1	— 1	— 1.5
Gartmore American	0.66	Jan 16 0.6	— 1.3
Gibbon Lyons†	1.32	Feb 9 1.2	— 3.52
Incl. Signal**	1.4	Jan 12 1.2	— 3
Jersey General	5.75	— 5.75	— 14.5
Jersey	3	Jan 9 2.75	— 4
Narborough Plant	1	— 1	— 1.5
Ranks Hovis	4.49	— 3.45	— 0.61
Scott Greenham	1.3	Jan 2 1	— 3.3
Sketchley	6.1†	— 4.7	— 17.5
Warford Inv.	7.5	April 7 7	— 17
Wemyss Invest. Tr.	5	— 14	— 16
Whitbread	2.5	Jan 9 2.25	— 1.5
WSL Holdings††	1	Jan 2 nil	— 1

Dividends shown in pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock † Unquoted stock. ‡ Subject to 40 per cent Malaysian tax. † Including 0.5p bonus. ** US cents throughout. †† To reduce disparity. ‡ For 17-month period.

COMPANY NEWS IN BRIEF

BLACKWOOD HODGE (Canada) increased its pre-tax profits from £32.16m to £33.73m (£1.88m) in the nine months to September 30 1986. Turnover rose from \$88.94m to \$104.15m. There was again no tax charge. Stated earnings per share moved ahead from 88 cents to

J. SAVILLE Gordon has sold its freehold property, the Veughan Industrial Estate, Tipton, West Midlands, to Dupont Properties, a wholly-owned subsidiary of William Holdings and currently the main tenant of the premises, for £5.8m paid in cash on completion.

WARNFORD INVESTMENTS (property) — Gross rents and service charges half year ended June 24 1986 came to £2.92m (£3m). Attributable revenue £1.27m (£1.4m) after tax £735,000 (£925,000) and minorities £2,500 (£2,000). Earnings 13.22p (14.56p) and

interim dividend 7.5p (7p) net. Anticipated that net revenue for year will be slightly less than £2.82m of 1985.

JERSEY GENERAL INVESTMENT Trust had net asset value of 456p (356p) as at October 31 1986. Net income was £555,833 (£550,406) and earnings per £1 share 5.99p (5.89p). The interim dividend is 5.75p (same) and final not less than last year's 8.75p is forecast.

NARBOROUGH PLANTATIONS (rubber and oil palm producer): Final dividend 1p subject to Malaysian tax, making a gross total of 1.5p for the year ended June 30 1986. Turnover £271,000 (£288,000). Pre-tax profit £119,000 (£242,000). Tax £33,000 (£108,000). Earnings per share 0.48p (0.99p). Results for the current year are expected to show an improvement.

YEARLING BONDS totalling £3.4m at 11½ per cent, redeem-

able on November 25, 1987, have been issued by the following local authorities. Cardiff (City) £2m; Basingstoke & Deane Borough Council £0.5m; Wansbeck District Council £0.4m; Allestree DC £0.5m.

HILLSDOWN HOLDINGS has acquired 51 per cent of Wirral Foods, canned meat products company. Consideration of £925,200 to be satisfied by issue of 231,000 ordinary and balance in cash. Vendors have warranted that net profits for 11 months to end-December will be £206,542. At January 31 last Wirral had net £510,345. Remaining 49 per cent will be acquired in equal tranches over five years based on post-tax profits.

GREAT SOUTHERN Group, undertaker, made pre-tax profits of £983,000 on £8.66m turnover for the first half of 1986. Earnings per share were 7.7p. The board reaffirmed £1.6m profit forecast for 1986, made at time of flotation in September.

COURTNEY POPE Holdings has reached agreement for the acquisition of Better Electro-Plating together with the company's associate, Barrel Platers (London). Total consideration also been reached for the acquisition of Bricecrest Plastics for £50,000 via share issue.

MIDSUMMER INNS, the brewing and leisure group originally known as the Campaign for Real Ale (CAMRA), plans to change its name again to Midsummer Leisure to reflect the broadening scope of its business. The company now has rollerskating, snooker clubs, medieval banqueting and restaurants and venue bars in addition to its traditional free houses and discotheques.

NEW CAVENDISH ESTATES has acquired 39,153 ordinary shares in Bradley Court, a registered nursing home company, from its associated company Stirling Properties for a total cost of £97,883. It has also agreed to pay £346,755 cash for 138,694 new ordinary shares in Bradley Court to raise its equity stake to 50 per cent.

RAMCO OIL Services: North Sea Assets has bought 1.59m ordinary shares raising stake to 28.09 per cent. It regards this as a desirable level and does not seek a controlling interest. Ivory and Sims clients now hold 29.9 per cent of Ramco.

I.G. INDEX
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Over 2 up to 3	11 1/2	11 1/2	12 1/2	12 1/2
Over 3 up to 4	11 1/2	11 1/2	12 1/2	12 1/2
Over 4 up to 5	11 1/2	11 1/2	12 1/2	12 1/2
Over 5 up to 6	11 1/2	11 1/2	12 1/2	12 1/2
Over 6 up to 7	11 1/2	11 1/2	12 1/2	12 1/2
Over 7 up to 8	11 1/2	11 1/2	12 1/2	12 1/2
Over 8 up to 9	11 1/2	11 1/2	12 1/2	12 1/2
Over 9 up to 10	11 1/2	11 1/2	12 1/2	12 1/2
Over 10 up to 15	11 1/2	11 1/2	12 1/2	12 1/2
Over 15 up to 25	11 1/2	11 1/2	12 1/2	12 1/2
Over 25	10 1/2	10 1/2	11 1/2	11 1/2

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). † With half-yearly payments of interest only.

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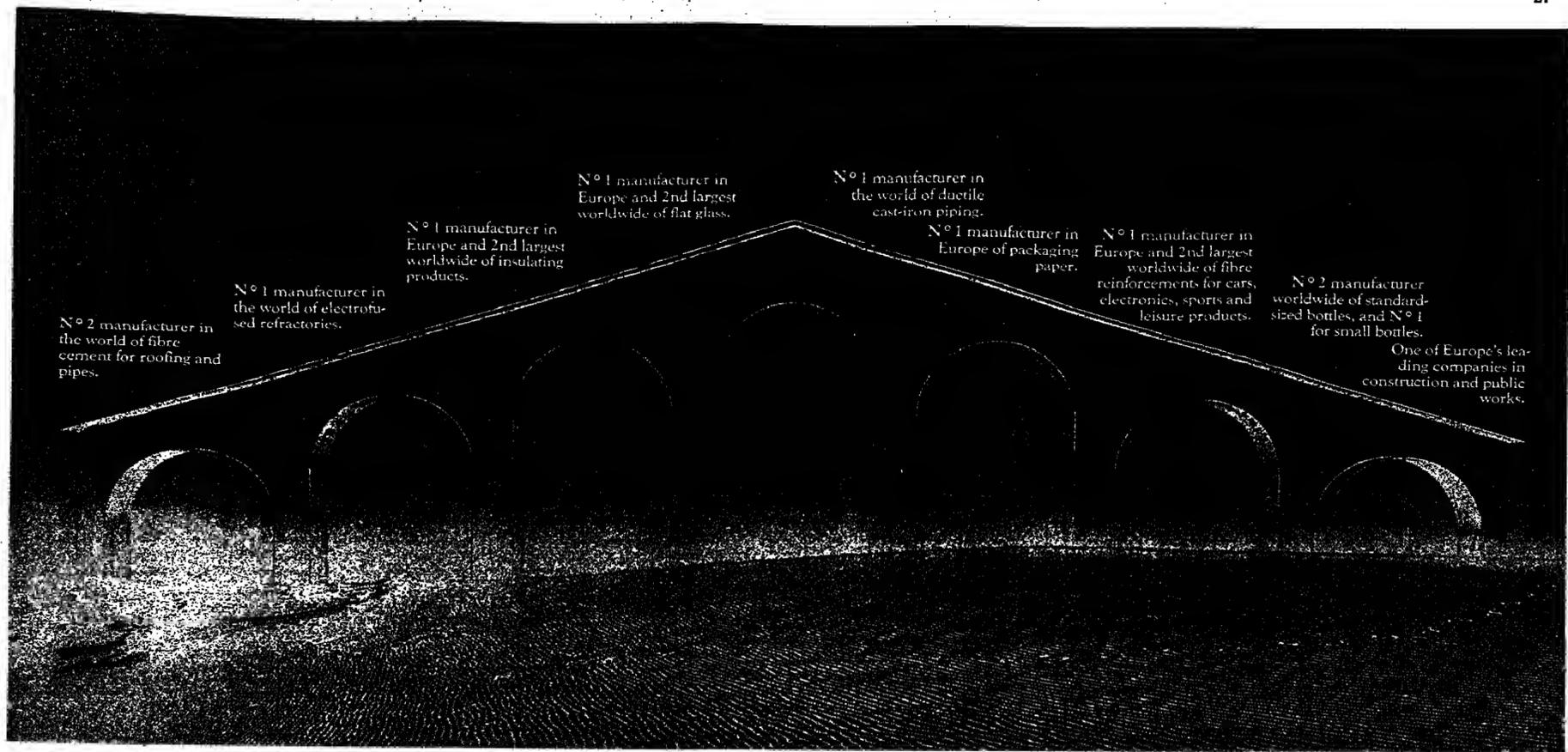
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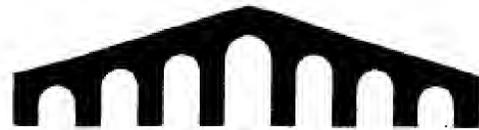
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UK COMPANY NEWS

Avana profits outlook slices 32p off shares

Avana Group, the food processor which disappointed analysts with its result for the 1985-86 year, yesterday revealed that its profits for the first half of the current year had risen by only 6.5 per cent to £8.81m.

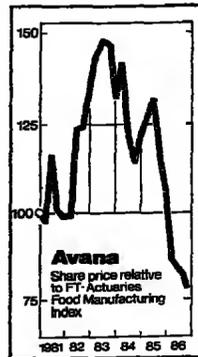
The City, disappointed again, had been looking for figures of between £9.5m to £10m and by the close of business the group's shares had fallen by 32p to 504p, wiping some £11m off its stock market value.

The directors said the £541,000 profit improvement had been hard earned. They pointed out that sales in the UK had risen by only 1 per cent while those of the overseas operations were down by 1 per cent despite the lower value of sterling.

Overall, group sales for the half year to September 27 1986 totalled £97.8m (£97.11m). UK sales amounted to £85.22m (£84.35m) and profits to £8.14m (£7.47m).

Earnings worked through 1.32p ahead at 16.69p and in the light of this increase the interim dividend is being stepped up from 5p to 5.25p net.

The directors said that although the new factories at R. F. Brookes, Viola and O.P. Chocolate were showing the benefits of capital investment, the additional sales volumes required were not yet manifest.



The directors were actively considering two major capital expenditures which take the group into new areas of food manufacture and which, they said, could provide the vital stimulus to renewed growth. Neither of these projects could be implemented in time to enhance the year's results but could certainly have a marked impact on the results of next year and beyond.

comment
Avana is suffering from static

sales in mature markets, a £490,000 swing into the red at the Dutch associate, a lack of own brands and a lower than expected return on capital investment. Leaving aside a repeat of last year's exceptional gain from Dr John Randall's foray on the financial markets, profits this year of around £19m look likely. In the earlier years of this decade, Avana's profits were growing by 30 per cent compound and the shares still carry a premium rating as a legacy of this. Now, with virtually no profits growth over a three-year period in view, the market is keen to hear just what the prescription for escaping the sub £20m rut is. Avana has turned its back on acquisitions as the route forward - which will not surprise those who remember the unhappy Bassett saga. It will, however, take time and a lot more details to convince that a capital spend of £12m (in £2m and £10m lumps - one of them savoury rather than sweet) to take the group into new food areas will bring returns as quick or as substantial as Avana is clearly hoping. Despite a fall of 32p to 504p, the shares seem destined to continue to drift downwards towards the sector's 11 from Avana's prospective of 14.

International Signal profits jump 47%

International Signal & Control Group, the US-based systems and technical services concern, lifted pre-tax profits by 47 per cent from \$14.27m to \$21m (£14.8m) in the six months ended September 28 1986. Turnover rose 22 per cent to \$236.1m.

Operating profits were up 27 per cent to \$26.75m, after absorbing \$0.5m losses from the group's new subsidiaries, Electro Magnetic Processes and ISC Cardion Electronics, which were in line with expectations. Net interest costs were cut \$1m to \$5.75m following July's rights issue.

The issue raised \$107m, net of expenses, and increased total shareholders' funds to over \$800m. Proceeds were used to repay certain bank borrowings and to provide additional working capital.

Extraordinary charges of \$4.12m relating to the net costs of the rights have been transferred to the share premium account.

The group's order book at September 28, 1986 exceeded \$900m and has continued to grow since that time.

As growth continued in all three of the ISC operating groups, the directors viewed the outcome of the current year with considerable confidence.

comment
The cautious investor might be inclined to take a deep breath before buying into ISC with its reticence to reveal its clients, its dollar-dominated accounts, its premium to the electronics sector and its dependence on the defence and space industries. The company's record, however, is exceptional with pre-tax profits up ninefold between 1982, when it came to the market, and last year. Orders are strong, margins are higher because of the greater proportion of international business and the interest charge is falling after the rights issue. The long term future is more difficult to predict. Although the far profits come from the international division, ISC depends on US defence spending to develop the products which it sells elsewhere. It is confident that the swing to the Democrats will be at worst neutral to its prospects but the outsider might be tempted to reason that when the US does bite the budget bullet, aerospace and defence will be the hardest hit. On \$22m, the shares at 252p are on a prospective p/e of 14, which will not attract widows and orphans.

Scott Greenham up by 41%

Scott Greenham Group, the industrial services group, has turned in pre-tax profits 41 per cent higher at £2.4m for the half year to October 2, 1986. Turnover was up from £7.2m to £9.4m.

Mr Tim Scott, joint chairman, said that the company's lifting activities were performing ahead of budget. And he reported that good organic growth in the company's access market interests had been supplemented by acquisitions.

Mr Scott reported that the company intends to continue expansion by acquisition and said that prospects for the second half appeared to be very healthy.

Tax charges increased to £249,000 (£206,000) and earnings per 10p ordinary share worked through almost 40 per cent higher at 7.88p (5.63p).

The company declared an interim dividend of 1.2p, up from 1p last time.

Black Arrow rises to £1m

Black Arrow Group, office furniture and equipment concern, pushed up taxable profits from £796,000 to £1,020m for the half year ended September 30 1986 and the interim dividend from 1.75p to 2p per share.

The directors said the company was firmly committed to the expansion of the office furniture division.

Mid-term turnover advanced to £2,320m against £2,137m, while after tax of £333,000 (£276,000) earnings were shown as 9.03p (6.97p) per share.

The directors pointed out that recent acquisitions had responded well to group treatment. Associated Furniture Holdings (now 78.48 per cent owned) contributed a worthwhile profit and although Planwise (75.1 per cent last February) and EDS sustained losses, these were at a much reduced level.

Profits at Gibbon Lyons rise by 22%

Gibbon Lyons, a USM listed printing ink manufacturer and supplier, lifted its pre-tax profits by almost 22 per cent from £218,000 last time to £265,000 in the six months to September 30, 1986. Turnover increased 23 per cent to £1.95m (£1.58m).

The chairman said that with the expansion of the company's Colorette network he was confident that progress would be maintained in the second half.

John Foster falls into red

John Foster & Son, worsted and mohair spinning concern based in Bradford, West Yorkshire, fell into the red for the half year ended August 29 1986.

From turnover, lower at £8.51m, against £10.34m, the loss before tax amounted to £467,000, compared with profits of £51,000 last time.

Despite the difficulties experienced during the first six months, the directors said they

believed the seasonal nature of the business, together with an improving order book and management action already taken, should ensure satisfactory results for the second half.

In line with this the directors are maintaining the interim dividend at 1p per share - last year's final payment was 2.5p from pre-tax profits of £1.13m (£1.1m).

Particularly difficult trading conditions resulted in reduced sales, the directors pointed out, especially to the Middle East and Hong Kong markets. New customers and markets were being actively developed, mainly in the UK and Europe, and the order intake during the past few months had been running at a much improved level, compared with a year ago.

After tax of £35,000 (£37,000) losses were shown as 5.8p per share (0.2p earnings).

COMPANY NEWS IN BRIEF

GARTMORE AMERICAN Securities investment trust, had net asset value of 167p per 25p share at September 30, 1986 (178p at March 31, 1986). Net revenue for six months was £192,433 (£207,238) and earnings per share 1.07p (1.15p). The interim dividend is 0.86p (0.6p).

LONDON TRUST net asset value fell from 91.4p to 86.4p at September 30 1986.

Revenue amounted to £219,000 (£361,000 loss) for six month period before tax of £178,000 (£259,000). Earnings per share 0.17p (0.61p losses).

WEMYSS Investment Trust increased its net asset value from 608p to 636p in the year to September 30, 1986, but the final dividend is reduced from 14p to 8p net for a lower total of 16p (22p). Pre-tax profits were static at £516,000.

(£818,900). Stated earnings per £1 share were 24.2p (23.1p) before extraordinary debits of £87,000, and 20.4p (23.1p).

PAUL MICHAEL Leisurewear pre-tax profits were £6,000 (£85,000) in six months to June 30, 1986, on £2.15m (£3.15m) turnover. Earnings per 5p share 0.06p (0.7p). Cleves Investments has 55 per cent stake in this USM company.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

Application has been made to the Council of The Stock Exchange for the whole of the ordinary share capital of SUMIT plc, issued and to be issued, to be admitted to the Official List.

SUMIT plc

(Registered in England Number 1462512)

Placing

by

Albert E. Sharp & Co.

of

1,450,000 ordinary shares of £1 each at 135p per share

Share Capital

Authorised
£14,000,000 ordinary
shares of £1 each

Issued and to be
issued fully paid
£6,650,000

SUMIT's objective is to provide capital to unquoted companies with growth potential and proven management in order to finance corporate development or to assist in management buy-outs.

Listing particulars relating to the Company have been circulated in the Extel Statistical Services and copies of such particulars may be obtained from the Company Announcements Office, The Stock Exchange, London EC2P 2BT until 21st November, 1986 and during normal business hours on any weekday (Saturday excepted) up to and including 4th December, 1986 from:

Albert E. Sharp & Co.

Edmund House,
12 Newhall Street,
Birmingham B3 3ER

6/7 Queen Street,
London EC4N 1SP

20th November, 1986.

After 50 years in the City only the leading role will do.

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PA
37
24
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THE MIKADO
Produced by Jonathan Miller
Ton 1 7:30
"...riotous and splendidly sung...
spiffing..." Daily Mail

3036

In the City every day is like an audition. Bache Securities has provided our clients in the UK and in Europe with successful performances in the business of investing for over half a century.

We have recently achieved another major triumph in London.

As sole sponsors of Jonathan Miller's production of The Mikado we take great pride in our association with the ENO and the staging of this unique production.

Prospects for the future look excellent. Not just for the Mikado. Our clients can also expect to receive the same commitment to excellence.

The application of sound advice and innovative thinking by Bache Securities is individually designed and directed to earn your investments rave reviews.

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International offices: Amsterdam Athens Brussels Buenos Aires Chiasso Cologne Dusseldorf Frankfurt Geneva Hamburg Hong Kong London Lugano Luxembourg Madrid Monte Carlo Montevideo Munich New York Paris Rotterdam St Croix St Thomas San Juan Singapore Stuttgart Tokyo Zurich and offices in all major Canadian cities. Affiliates in Melbourne and Sydney.

This advertisement is issued in compliance with the Regulations of the Council of The Stock Exchange. Application has been made to the Council of The Stock Exchange for the whole of the Ordinary share capital of The Ward Group PLC, issued and to be issued, to be admitted to the Official List.

WARD

THE WARD GROUP PLC
(Incorporated in England under the Companies Act 1948 - No. 879374)

PLACING
by
HAMBROS BANK LIMITED
of 5,437,750 Ordinary Shares of 5p each at 97p per share

Authorised
£
1,450,000

Issued and to be
issued fully paid
£
1,096,352

Ordinary Shares of 5p each

Listing particulars relating to The Ward Group PLC are available in the Extel Statistical Services and copies of the listing particulars may be obtained during normal business hours up to and including 24th November, 1986 from the Company Announcements Office, The Stock Exchange and on any weekday (Saturdays excepted) up to and including 5th December, 1986 from the Company's registered office at:

Hambros Bank Limited,
41 Bishopsgate,
London EC2P 2AA.

The principal activities of The Ward Group PLC and its subsidiaries comprise the design and manufacture of technically advanced, pre-engineered steel composite and steel framed buildings.

4,078,300 Ordinary Shares have been placed by L. Messel & Co. and in accordance with the requirements of the Council of The Stock Exchange, 1,359,450 of the Ordinary Shares being placed have been distributed through:

Alexanders, Laing & Cruickshank,
Herry House,
7 Capital Avenue,
London EC2

Wise Spinks & Co.,
Commercial Union House,
39 Pillinger Street,
Newcastle upon Tyne
NE3 6EQ.

L. Messel & Co and Alexanders, Laing & Cruickshank have indicated that they intend to register as market makers in the Ordinary Shares of The Ward Group PLC.

20th November, 1986

A FINANCIAL TIMES
SURVEY

NORDIC BANKING
AND FINANCE

The Financial Times proposes to
publish a survey on the above on

JANUARY 12 1987

For further information
please contact:

Chris Schaanning
on 01-248 8000 ext 3499

FINANCIAL TIMES
Europe's Business Newspaper

Dresdner Finance B.V.
Amsterdam

DM 500,000,000
Floating Rate Notes 1985/1990

The Rate of Interest applicable to the
Interest Period from November 20, 1986 to
February 18, 1987, inclusively, was
determined by Barclays Bank PLC, London,
as Reference Agent to be 4 1/4% per
cent per annum. Therefore, on

February 20, 1987, the relevant interest
Payment Date, interest per Note of
DM 10,000 (principal amount in the
amount of DM 122.58 and interest per
Note of DM 250,000 in the amount of
DM 3,077.58 is due.

Dresdner Bank
Aktien-Gesellschaft
Principal Paying Agent

Dresdner Bank Group

JP 11/20/86

Handwritten scribble at the top center of the page.

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Allport Unit Trust, and others, including their managers and performance data.

FT UNIT TRUST INFORMATION SERVICE

Main table listing numerous unit trusts, their managers, and performance metrics. Includes sub-sections like 'British Unit Trusts', 'Foreign Unit Trusts', and 'Specialist Unit Trusts'.

JOTTER PAD
PUZZLED ABOUT UNIT TRUSTS?
Chase de Vere's Unit Trust Outlook
is packed with information and advice
from 15 leading Unit Trust Groups.
To obtain your free copy ring
01-404 5766
Investing in Europe? Call us first.

F.T. CROSSWORD PUZZLE No. 6,182

Crossword puzzle grid with numbers indicating starting positions for words.

ACROSS
1 Approaching expiry date, no doubt about it (6)
4 Telephone Dora about the way to avoid town centre (4,4)
8 Back cites the apple core in it, rotting (6)
10 Are involved in Hunt's Construction, which digs up things (6)
12 Wicked action of actor ruined it before end of play (8)
13 Rush round front of hospital, worse perhaps (6)
15 Reason for turning against the American (4)
16 Abner could be in a blue movie, which is intolerable (10)
17 Working out her cine "fly enthusiastically" (10)
19 Go by donkey after parking (4)
23 Seat the man inside (6)
25 Abandoned in favour of snake dancing (6)
27 Initial of middleweight bather in test (6)
28 Adult pair taking half an hour (6)
29 It's air, they admit (6)
30 State of health of fellow removing front of boiler (6)

DOWN
1 Said I'd moved the pole, showing contempt (7)
2 Work left by a Parisian till convent (8)
3 Show clearly the new Venice (6)

ANSWERS to the crossword puzzle:
ACROSS
1 APPROACHING
4 DORA
8 CORE
10 HUNT
12 WICKED
13 RUSH
15 REASON
16 ABNER
17 ENTHUSIASTICALLY
19 DONKEY
23 SEAT
25 ABANDONED
27 INITIAL
28 HOUR
29 AIR
30 VENICE

DOWN
1 POLE
2 PARISIAN
3 CLEARLY

AUTHORISED UNIT TRUST & INSURANCES

Main table listing various insurance and unit trust products, including American Life Insurance Co UK, British National Life Assurance Co Ltd, and others, with columns for company names, addresses, and financial details.

Handwritten signature or mark at the bottom right of the page.

INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and financial services, including Knight Wilkins & Company Ltd, Charterhouse Bank, and various international fund managers.

Table listing international fund managers and their respective funds, such as International Specialty Fund, International Specialty Fund, and International Specialty Fund.

Table listing money funds and their performance metrics, including various international and domestic funds.

Table listing money market funds and their performance metrics, including various international and domestic funds.

Table listing money market bank accounts and their performance metrics, including various international and domestic funds.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas financial services, including various international fund managers and their respective funds.

Table listing international fund managers and their respective funds, such as International Specialty Fund, International Specialty Fund, and International Specialty Fund.

Table listing money funds and their performance metrics, including various international and domestic funds.

Table listing money market funds and their performance metrics, including various international and domestic funds.

Table listing money market bank accounts and their performance metrics, including various international and domestic funds.

Table listing management services, including various international fund managers and their respective funds.

Table listing international fund managers and their respective funds, such as International Specialty Fund, International Specialty Fund, and International Specialty Fund.

Table listing money funds and their performance metrics, including various international and domestic funds.

Table listing money market funds and their performance metrics, including various international and domestic funds.

Table listing money market bank accounts and their performance metrics, including various international and domestic funds.

TRADITIONAL OPTIONS

Table listing traditional options and their performance metrics, including various international and domestic funds.

Notes and additional information regarding the data presented in the tables, including a disclaimer and contact information.

COMMODITIES AND AGRICULTURE

Cobalt price soars with stabilisation pact

BY STEFAN WAGSTYL

COBALT PRICES soared by 25 per cent yesterday ahead of an announcement that Zaire and Zambia, the world's largest producers, had ended a price war and signed a price stabilisation pact.

Earlier hectic trading in London, New York and Continental Europe had bid up prices from \$4.50 to \$6.00 a pound in the space of a few hours. "You get two or three days like this a year," said one trader.

Expected prices to steady at just over \$6 a pound, as long as the two countries could make the agreement stick. The price rise follows a very unsettled year in the cobalt market during which prices have fallen after the previous agreement between Zaire and Zambia fell apart.

As first Zambia and then Zaire abandoned producer pricing in favour of stepping up output to keep market share, prices fell to a low of about \$3.7 a pound in August. This prompted merchants and others to stockpile metal. Prices rose to \$4.50 a pound

and then leapt to \$6.40 in two hectic days' trading in September, amid rumours that Zaire was keeping cobalt off the market. Prices fell back when the reports proved to be unfounded.

Some 30,000 tonnes of cobalt are supplied to the West annually, including sales from Communist countries. The metal is used to harden steel in special alloys and in magnets. Wild swings in prices have driven many consumers to look for alternatives, among them replacing cobalt with nickel in steel alloys.

Commission stands firm on dairy cut demand

By Quentin Peel in Brussels

THE European Commission yesterday insisted that it will maintain its demand for a minimum 9.5 per cent cut in EEC dairy production, in spite of the complete failure of Farm Ministers to find any common ground to agree on its reform plan this week.

The tough line from the Commission emerged after Mr Michael Jopling, the British Minister and current chairman of the Council of Farm Ministers, decided after lengthy consultations that the lack of flexibility and political will from virtually all member states made it impossible to start round-table negotiations.

LONDON MARKETS

THE LONDON Metal Exchange zinc market came yesterday renewed pressure yesterday before steady somewhat in the afternoon. Traders thought the shake-out, which drove the cash position down by 17.75 to \$554.50 a tonne, was partly the result of option traders liquidating cover taken against call options which, following the recent heavy price fall, are now unlikely to be exercised.

The cash price has now fallen by 478 from the peak reached at the end of the October before the settlement of a long running strike at Noranda's Valleyfield, Quebec smelter set the market on the downward path. Yesterday's fall featured a narrowing of the cash premium over three months metal from \$11.75 to \$4.25 a tonne, an indication of easier supply availability.

"We insist absolutely on the figure of 9.5 per cent for a reduction in production," a Commission official said yesterday. "That is the minimum we consider necessary." The problem for both the Commission and (its) British Presidency is that objections to the dairy reform package are different from virtually every member state, leaving no qualified majority for any solution.

INDICES

REUTERS Nov. 19 Nov. 18 Nov. 17 Nov. 16 Year ago ago

DOW JONES Nov. 19 Nov. 18 Nov. 17 Nov. 16 Year ago ago

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS Aluminium, Copper, Lead, Nickel, Tin, Zinc, etc.

ALUMINIUM

Official closing (am): Cash 789.50, 3 months 795.00, 6 months 800.00

COPPER

Official closing (am): Cash 911.15, 3 months 915.00, 6 months 920.00

COFFEE

After a week of heavy liquidation the market was evident as the price managed to rally 200 before ending in commission house selling.

COCOA

After opening unchanged futures lost ground despite shifting weakness and a recovery in the afternoon.

NICKEL

Unofficial + or - Official closing (am): Cash 338.50, 3 months 340.00, 6 months 345.00

TIN

KUALA LUMPUR TIN MARKET: Close 15.39 (15.95) ringgit per kg. Up 0.4 ringgit per kg.

ZINC

Official closing (am): Cash 556.50, 3 months 560.00, 6 months 565.00

GOLD

Gold rose \$2 to \$393.50 per oz on the London bullion market yesterday.

SILVER

Silver was flat 0.5p on ounces higher to spot delivery in the London bullion market yesterday at \$31.50.

SOYABEAN MEAL

Keen commercial buying was met by speculative liquidation and local selling reports.

MEAT

MEAT COMMISSION—Average fatness prices at representative markets.

US MARKETS

THE PRECIOUS METALS

lost ground and finished on the lows as technical selling in platinum continued to drag gold and silver values down. Although the data released on the Gross National Product should have been positive for the metals it failed to provide support.

NEW YORK

ALUMINIUM 40,000 lb. cents/lb. Close High Low Prev

CHICAGO

LIVE CATTLE 40,000 lb. cents/lb. Close High Low Prev

COPPER 20,000 lb. cents/lb.

Close High Low Prev

COFFEE "C" 37,500 lb. cents/lb.

Close High Low Prev

CRUDE OIL (LIGHT)

Close High Low Prev

GOLD 100 Troy oz. \$/Troy oz.

Close High Low Prev

POTATOES

Levels rose by up to \$1.20 lately but as the season developed sellers increased premium and prices slipped lower.

WHEAT

Old crop eased on shippers' broker selling reflecting bullish trade views of the US maize due to Spain on a reduced basis.

GRAINS

Old crop eased on shippers' broker selling reflecting bullish trade views of the US maize due to Spain on a reduced basis.

WHEAT

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GRAINS

Old crop eased on shippers' broker selling reflecting bullish trade views of the US maize due to Spain on a reduced basis.

WHEAT

Old crop eased on shippers' broker selling reflecting bullish trade views of the US maize due to Spain on a reduced basis.

GRAINS

ORANGE JUICE 16,000 lb. cents/lb.

Close High Low Prev

PLATINUM 50 Troy oz. \$/Troy oz.

Close High Low Prev

SUGAR WORLD "11"

12,000 lb. cents/lb. Close High Low Prev

LIVE CATTLE 40,000 lb. cents/lb.

Close High Low Prev

LIVE HOGS 30,000 lb. cents/lb.

Close High Low Prev

MAIZE 5000 bu. cents/bu.

Close High Low Prev

FORE BELLIES 20,000 lb. cents/lb.

Close High Low Prev

SOYABEANS 5000 bu. cents/bu.

Close High Low Prev

SOYABEAN MEAL 50,000 lb. cents/lb.

Close High Low Prev

WHEAT 5000 bu. cents/bu.

Close High Low Prev

LEADED GASOLINE

Year's close + or - Business Done

FREIGHT FUTURES

The market dipped on confirmation of lower physical prices. Profit-taking was evident at the lower levels, reports Clarkson Wall.

HEAVY FUEL OIL

Year's close + or - Business Done

SUGAR

LONDON DAILY PRICE—New sugar \$150.00 (210.00), on \$3.00 (on 22.50) a tonne for December-January delivery.

Barclays to close stationery section

Barclays Bank is to close its stationery department in Birkenhead by the end of next year, with the loss of 40 jobs. Staff over 55 will take early retirement, others will be offered posts at Bletchley, Bucks, and the remainder will be covered by a redundancy scheme.

Bauxite association sets price policy

BY CANUTE JAMES IN KINGSTON

THE International Bauxite Association (IBA) has recommended to its members that they sell bauxite next year at minimum prices similar to those recommended for this year, but that they offer alumina at slightly higher prices.

The association's composite reference price is based on a formula which is determined by prices for 92.5 per cent purity primary aluminium ingot, calculated on the basis of 50 per cent of medium to long term prices and 50 per cent of spot prices prevailing in domestic markets in North America and Europe.

The main critics of the dairy package come from the Mediterranean member states, France and West Germany. Italy, Greece and Spain all maintain that as they are not in national surplus on dairy products, they should not be expected to suffer the same quota cuts as the northern states.

Patchy performances leave US options enthusiasts undismayed

BY DAVID OWEN IN CHICAGO

WITH FOUR launches in the last six weeks the US Futures exchanges have just completed their most concentrated spate of soft non-metal commodity options contract introductions since Congress repealed a 46-year ban on options trading in 1982.

The launch of options on coffee futures by the Coffee Sugar and Cocoa Exchange (CSCE), and on pork belly futures by the Chicago Mercantile Exchange (CME), in early October were followed on November 14 by a New York Mercantile Exchange (Nymex) option on crude oil futures and this week by a Chicago Board of Trade (CBOT) option on wheat futures.

Mr Francois Guillaume, the French Farm Minister, actually suggests that the Commission's calculations of the dairy surplus—regarded by most outside observers as extremely conservative—were exaggerated. He argued in the talks that greater efforts could be made to win export markets for the EEC's huge butter and skimmed milk powder (SMP) mountains.



Crude oil options trading on the New York Mercantile Exchange.

More than ever it appears American exchanges are viewing options as a means of maintaining or expanding traditional commodity business on their trading floors at a time when trading volume for agricultural and other soft futures continues to be depressed by low market prices and generally low volatility.

options contracts at the Kansas City Board of Trade, the Minneapolis Grain Exchange and the West American Commodity Exchange. Analysts believe that the CBOT contract has a better than even chance of establishing itself. "The potential is there for wheat option because of the speculative interest that tends to come to Chicago and the reasonably tight soft red wheat supply," according to Mr Jerry Gidel, a Chicago-based research director with G. H. Miller and Company.

But a glance at the fortunes of the four other soft commodity options launched during the past year on the New York Cotton Exchange, the CSCE and the CME shows that none has yet really carried its stripes. On Monday their estimated combined volume was just 152 with individual scores ranging from \$2 for the CSCE's coffee

Gas complaints

A NATIONAL campaign to make the public more aware of the gas market is set to start next month.

The Gas Consumer Council will begin a £200,000 self-advertising campaign which will last 18 months.

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Options 50

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

GNP rise fails to lift dollar

FEARS OF sluggish growth in the US economy were not dispelled by the upward revision in third quarter US gross national product growth. Dealers had been expecting an upward revision to about 2.6 per cent to 3.0 per cent, from the earlier figure of 2.4 per cent, and that there would not be disappointed in the result of 2.9 per cent. The upward revision to that high rate was due to the fact that the third quarter GNP figure, and that the main reason for the rise in the revised figure was larger than forecast Federal Government purchases and higher residential investment.

deflate followed the comments made by Mrs Margaret Thatcher, the Prime Minister, when she ruled out early UK membership of the European Monetary System. Mrs Thatcher's apparent determination to keep the pound out of the EMS at least until after the next General Election underlined the previous reservations stated by the Prime Minister about the possible problems of keeping sterling pegged to the strong D-mark, but still appeared in disappointment the market. A forecast by the International Energy Agency of slowly rising oil demand for the period up to 2000, and generally firm North Sea oil prices yesterday, failed to reverse the pound's decline in early trading, but the currency tended to stabilise around mid-morning and then showed only a gentle fall. Sterling lost 25 points to \$1.4175-\$1.4185 and fell to DM 2.8475 from DM 2.8550; to FF 6.3225 from FF 6.328; to SFr 2.3875 from SFr 2.3825; and to Y230.25 from Y231.50.

FINANCIAL FUTURES

Gilts fall in record volume

GILT PRICES fell sharply in the London International Financial Futures Exchanges yesterday. Trading volume totalled more than 26,000 lots, breaking the previous record of 23,945 traded on November 18. Prices opened little changed but selling soon accelerated in the face of a weaker pound and a lower US dollar price. With sterling continuing its decline, the December gilt price broke through an important 107-00 support level which triggered further steep selling down to a record low of 105-05.

no clear reason why gilt prices declined so sharply. However, dealers stressed that recent comments about the timing of the next general election left investors uncertain simply because of nervousness caused by which major political party will win. Yesterday's volume in gilts was around £1.5bn with the number of lots traded representing a 12 per cent increase on the previous record.

EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Vol., Last, Bid, Ask, etc. for various European options.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit Rates for various countries like Belgium, France, Germany, etc.

POUND SPOT-FORWARD AGAINST THE POUND

Table showing Pound Spot-Forward Against the Pound for various terms like 1 month, 3 months, 6 months, 12 months.

£ IN NEW YORK

Table showing £ in New York for various terms like 1 month, 3 months, 6 months, 12 months.

STERLING INDEX

Table showing Sterling Index for various months like 9.30, 10.00, 11.00, Noon, 2.00, 3.00, 4.00.

LIFFE 10Y TREASURY BOND FUTURES OPTIONS

Table showing Liffe 10Y Treasury Bond Futures Options for various terms like Dec, Jan, Feb, etc.

LIFFE 5Y TREASURY BOND FUTURES OPTIONS

Table showing Liffe 5Y Treasury Bond Futures Options for various terms like Dec, Jan, Feb, etc.

BASE LENDING RATES

Table showing Base Lending Rates for various banks and currencies like US, UK, etc.

CURRENCY RATES

Table showing Currency Rates for various currencies like Sterling, US Dollar, etc.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table showing Dollar Spot-Forward Against the Dollar for various terms like 1 month, 3 months, 6 months, 12 months.

LIFFE 3M LIBOR FUTURES OPTIONS

Table showing Liffe 3M Libor Futures Options for various terms like Dec, Jan, Feb, etc.

LIFFE 6M LIBOR FUTURES OPTIONS

Table showing Liffe 6M Libor Futures Options for various terms like Dec, Jan, Feb, etc.

CURRENCY MOVEMENTS

Table showing Currency Movements for various currencies like Sterling, US Dollar, etc.

EURO-CURRENCY INTEREST RATES

Table showing Euro-Currency Interest Rates for various terms like 1 month, 3 months, 6 months, 12 months.

LIFFE 3M LIBOR FUTURES

Table showing Liffe 3M Libor Futures for various terms like Dec, Jan, Feb, etc.

LIFFE 6M LIBOR FUTURES

Table showing Liffe 6M Libor Futures for various terms like Dec, Jan, Feb, etc.

OTHER CURRENCIES

Table showing Other Currencies for various countries like Argentina, Australia, etc.

EXCHANGE CROSS RATES

Table showing Exchange Cross Rates for various currencies like £, DM, Yen, etc.

LIFFE 3M LIBOR FUTURES

Table showing Liffe 3M Libor Futures for various terms like Dec, Jan, Feb, etc.

LIFFE 6M LIBOR FUTURES

Table showing Liffe 6M Libor Futures for various terms like Dec, Jan, Feb, etc.

MONEY MARKETS

UK rates higher on weak pound

INTEREST RATES were higher in London yesterday in response to the further weakening in the value of sterling. Conditions in the money market were fairly relaxed with the Bank of England giving more assistance than the public had expected. However, there appeared to be some concern that poor economic data may depress sterling and so put upward pressure on domestic interest rates.

FT LONDON INTERBANK FIXING

Table showing FT London Interbank Fixing for various terms like 1 month, 3 months, 6 months, 12 months.

LIFFE 3M LIBOR FUTURES

Table showing Liffe 3M Libor Futures for various terms like Dec, Jan, Feb, etc.

LIFFE 6M LIBOR FUTURES

Table showing Liffe 6M Libor Futures for various terms like Dec, Jan, Feb, etc.

UK clearing bank base-lending rate 11 per cent since October 15

The Bank of England forecast a shortage of £250m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £200m and a rise in the note circulating money was quoted at 11.1-11.3 per cent compared with 11.1-11.3 per cent on Tuesday. Short term rates appeared to be more relaxed to start with. Overnight interbank money opened around 10 1/2 per cent and eased to a low of 8 per cent early in the afternoon before late demand pushed rates up to a high of 12 per cent.

LONDON MONEY RATES

Table showing London Money Rates for various terms like 1 month, 3 months, 6 months, 12 months.

LIFFE 3M LIBOR FUTURES

Table showing Liffe 3M Libor Futures for various terms like Dec, Jan, Feb, etc.

NEW ISSUE

Advertisement for The Yasuda Trust and Banking Company, Limited, featuring a logo and details about convertible bonds due 2001.

BRITISH FUNDS

Table of British Funds with columns for Name, Price, Dividend, and Yield. Includes sections for 'Shorts (Lives up to Five Years)', 'Five to Fifteen Years', and 'Over Fifteen Years'.

AMERICANS - Cont.

Table of American Stocks with columns for Name, Price, Dividend, and Yield. Includes sections for 'CANADIANS' and 'BANKS, HP & LEASING'.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS - Cont.

Table of Building, Timber, and Roads stocks with columns for Name, Price, Dividend, and Yield.

DRAPERY & STORES - Cont.

Table of Drapery and Stores stocks with columns for Name, Price, Dividend, and Yield.

ELECTRICALS

Table of Electricals stocks with columns for Name, Price, Dividend, and Yield.

CHEMICALS, PLASTICS

Table of Chemicals and Plastics stocks with columns for Name, Price, Dividend, and Yield.

DRAPERY AND STORES

Table of Drapery and Stores stocks with columns for Name, Price, Dividend, and Yield.

INDEX-Linked

Table of Index-Linked funds with columns for Name, Price, Dividend, and Yield.

INT. BANK AND OSEAS

Table of International Bank and Overseas stocks with columns for Name, Price, Dividend, and Yield.

CORPORATION LOANS

Table of Corporation Loans with columns for Name, Price, Dividend, and Yield.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth and African Loans with columns for Name, Price, Dividend, and Yield.

LOANS

Table of Loans with columns for Name, Price, Dividend, and Yield.

Public Board and Ind.

Table of Public Board and Industrial stocks with columns for Name, Price, Dividend, and Yield.

FOREIGN BONDS & RAILS

Table of Foreign Bonds and Rails with columns for Name, Price, Dividend, and Yield.

AMERICANS

Table of American stocks with columns for Name, Price, Dividend, and Yield.

BEERS, WINES & SPIRITS

Table of Beers, Wines, and Spirits stocks with columns for Name, Price, Dividend, and Yield.

HIRE PURCHASE, LEASING, etc.

Table of Hire Purchase, Leasing, etc. stocks with columns for Name, Price, Dividend, and Yield.

BUILDING, TIMBER, ROADS

Table of Building, Timber, and Roads stocks with columns for Name, Price, Dividend, and Yield.

ENGINEERING

Table of Engineering stocks with columns for Name, Price, Dividend, and Yield.

INDUSTRIALS (Miscel.)

Table of Industrial (Miscellaneous) stocks with columns for Name, Price, Dividend, and Yield.

ENGINEERING - Continued

Large table of Engineering stocks with columns for Name, Price, Dividend, and Yield.

FOOD, GROCERIES, ETC.

Table of Food, Groceries, etc. stocks with columns for Name, Price, Dividend, and Yield.

HOTELS AND CATERERS

Table of Hotels and Caterers stocks with columns for Name, Price, Dividend, and Yield.

INDUSTRIALS (Cont.)

Table of Industrial (Continued) stocks with columns for Name, Price, Dividend, and Yield.

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Handwritten scribble at the top center of the page.

INDUSTRIALS - Continued. Table listing various industrial stocks with columns for stock name, price, and other financial metrics.

LEISURE - Continued. Table listing leisure-related stocks such as hotels, resorts, and entertainment companies.

PROPERTY - Continued. Table listing real estate and property-related stocks.

INVESTMENT TRUSTS - Cont. Table listing various investment trusts and funds.

FINANCE, LAND - Cont. Table listing financial institutions, banks, and land-related stocks.

MINES - Continued. Table listing mining stocks from various regions including Central Africa, Australia, and Overseas.

NOTES. A section containing various notices, advertisements, and legal notices.

LONDON STOCK EXCHANGE

Wall Street setback brings losses in share prices and falling pound weakens Gilts

Account Dealing Dates table with columns for First, Second, Last, and Account Dealing Dates.

Account Dealing Dates
*First Dealing Last Account Dealing Date
Nov 18 Nov 20 Dec 1
Nov 24 Dec 4 Dec 5 Dec 15
Dec 8 Dec 18 Dec 19 Jan 5

cent. Brown Shipley touched 63p before closing unaltered at 58p ahead of today's interim results; it was announced yesterday that the UK Timespan and General Provident Institution had reduced its stake in the company to 6.45 per cent.

FINANCIAL TIMES STOCK INDICES table showing various indices like Government Secs, Fixed Interest, Ordinary V, etc. with columns for Nov 19, Nov 18, Nov 17, Nov 16, Nov 15, Nov 14, Nov 13, Nov 12, Nov 11, Nov 10, Nov 9, Nov 8, Nov 7, Nov 6, Nov 5, Nov 4, Nov 3, Nov 2, Nov 1, Nov 0, Nov -1, Nov -2, Nov -3, Nov -4, Nov -5, Nov -6, Nov -7, Nov -8, Nov -9, Nov -10, Nov -11, Nov -12, Nov -13, Nov -14, Nov -15, Nov -16, Nov -17, Nov -18, Nov -19, Nov -20, Nov -21, Nov -22, Nov -23, Nov -24, Nov -25, Nov -26, Nov -27, Nov -28, Nov -29, Nov -30, Nov -31, Nov -32, Nov -33, Nov -34, Nov -35, Nov -36, Nov -37, Nov -38, Nov -39, Nov -40, Nov -41, Nov -42, Nov -43, Nov -44, Nov -45, Nov -46, Nov -47, Nov -48, Nov -49, Nov -50, Nov -51, Nov -52, Nov -53, Nov -54, Nov -55, Nov -56, Nov -57, Nov -58, Nov -59, Nov -60, Nov -61, Nov -62, Nov -63, Nov -64, Nov -65, Nov -66, Nov -67, Nov -68, Nov -69, Nov -70, Nov -71, Nov -72, Nov -73, Nov -74, Nov -75, Nov -76, Nov -77, Nov -78, Nov -79, Nov -80, Nov -81, Nov -82, Nov -83, Nov -84, Nov -85, Nov -86, Nov -87, Nov -88, Nov -89, Nov -90, Nov -91, Nov -92, Nov -93, Nov -94, Nov -95, Nov -96, Nov -97, Nov -98, Nov -99, Nov -100.

more to 327p, while MEEPC lost 4 to 334p. Hammonds A gave up 10 to 434p, while Shalton Estates, a firm market on Tuesday on talk of a broker's favourable circular, softened 2 to 180p.

Overseas Traders fell from favour, incheasing losing 10 to 488p and Polly Peck 5 to 168p. Teer Kemsley gave up 6 to 125p. Broking forecasts that Leary's profits would fall short of the £180m generally expected.

national markets stimulated revived domestic and overseas demand for Sydney and Melbourne. Central Newsman rallied 2% to 508p, and Gold Mines of Australia up to 20 to 625p. Metana advanced 11 to 265p, while the encouraging of the chairman's statement at the annual lifted Sons of Gwalia 15 to 355p.

The FT-SE 100 Index, 21 points off ahead of Wall Street's opening, ended a net 132 lower at 1604.2, while the FT Ordinary Index at 1253.8 was finally 12.5 lower. The SEAQ electronic system was out of action for 25 minutes at mid-session.

Both market newcomers staged highly satisfactory debuts. Property group London and Metropolitan opened at 185p and closed at 165p compared with the offer price of 145p, while office furniture supplier Cable and Wireless, which announced that Mr Rowley's IEP Securities has acquired a 6.1 per cent stake in the company.

consideration of the recent disappointing preliminary figures. A paper Cable and Wireless, which gained 7 to 310p in anticipation of today's interim figures, Electrical majors gave ground with the general trend. Thermo EMI came on offer at 485p, down 5, while Royal softened 5 to 168p as did RICC at 260p.

offerings prompted a further loss of 8 in Bover, at 185p. A paper Cable and Wireless, which gained 7 to 310p in anticipation of today's interim figures, Electrical majors gave ground with the general trend.

interim and preliminary trading statements made little impression on the market. The FT-SE 100 Index, 21 points off ahead of Wall Street's opening, ended a net 132 lower at 1604.2.

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FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FT-ACTUARIES INDICES table with columns for EQUITY GROUPS & SUB-SECTIONS, Wednesday November 19 1986, and various sub-sections like CAPITAL GOODS, CONSTRUCTION, etc.

FIXED INTEREST

AVERAGE GROSS REDEMPTION YIELDS

FIXED INTEREST table showing yields for various terms like 1 Year, 2-5 Years, 5 Years, etc.

LONDON TRADED OPTIONS

LONDON TRADED OPTIONS table with columns for CALLS, PUTS, and various stock options.

RIGHTS OFFERS

RIGHTS OFFERS table with columns for Issue Price, Amount Paid, and various rights offers.

RISES AND FALLS YESTERDAY

RISES AND FALLS YESTERDAY table showing price changes for various stocks and indices.

FIXED INTEREST STOCKS

FIXED INTEREST STOCKS table showing details of various fixed interest stocks.

LONDON RECENT ISSUES

LONDON RECENT ISSUES table with columns for Issue Price, Amount Paid, and various recent issues.

FIXED INTEREST STOCKS

FIXED INTEREST STOCKS table showing details of various fixed interest stocks.

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RIGHTS OFFERS table with columns for Issue Price, Amount Paid, and various rights offers.

FIXED INTEREST STOCKS

FIXED INTEREST STOCKS table showing details of various fixed interest stocks.

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† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4A 3DF, price 15p, plus 25p.

WORLD STOCK MARKETS

AUSTRIA

Table of Austrian stock prices for Nov. 19, listing companies like Creditanstalt, Gossner, and Interfall with their prices and changes.

GERMANY

Table of German stock prices for Nov. 19, listing companies like Allianz, Bayer, and Deutsche Bank with their prices and changes.

NORWAY

Table of Norwegian stock prices for Nov. 19, listing companies like Aker, Elkem, and Kvaerner with their prices and changes.

AUSTRALIA (continued)

Continuation of Australian stock prices for Nov. 19, listing companies like BHP, Rio Tinto, and Westpac with their prices and changes.

JAPAN (continued)

Continuation of Japanese stock prices for Nov. 19, listing companies like Daiichi Kangyo Bank, Industrial Bank of Japan, and Sanwa Bank with their prices and changes.

SPAIN

Table of Spanish stock prices for Nov. 19, listing companies like Banco de España, Telefónica, and Repsol with their prices and changes.

SWEDEN

Table of Swedish stock prices for Nov. 19, listing companies like ASEA, Volvo, and Sandvik with their prices and changes.

FRANCE

Table of French stock prices for Nov. 19, listing companies like Air France, Bouygues, and Elf with their prices and changes.

NETHERLANDS

Table of Dutch stock prices for Nov. 19, listing companies like ADF, AEG, and AKZO with their prices and changes.

FINLAND

Table of Finnish stock prices for Nov. 19, listing companies like Amer, Kone, and Nokia with their prices and changes.

INDONESIA

Table of Indonesian stock prices for Nov. 19, listing companies like Bank Bumi Daya, Bank Danamon, and Bank PNB with their prices and changes.

HONG KONG

Table of Hong Kong stock prices for Nov. 19, listing companies like Bank East Asia, Citibank, and HSBC with their prices and changes.

SWITZERLAND

Table of Swiss stock prices for Nov. 19, listing companies like Adia, ABB, and Nestlé with their prices and changes.

INDONESIA (continued)

Continuation of Indonesian stock prices for Nov. 19, listing companies like Bank Mandiri, Bank Permata, and Bank Tabung PNB with their prices and changes.

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CANADA

Table of Canadian stock prices for Nov. 19, listing companies like Alcan, Inco, and Noranda with their prices and changes.

INDICES

Table of stock indices for Nov. 19, including New York Dow Jones, S&P 500, and various regional indices.

NEW YORK

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STANDARD AND POORS

Table of Standard and Poors stock prices for Nov. 19, listing companies like IBM, AT&T, and General Electric with their prices and changes.

NYSE-Consolidated 1500 Averages

Table of NYSE-Consolidated 1500 Averages for Nov. 19, showing volume, price, and change.

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Advertisement for 'Special Subscription HAND DELIVERY SERVICE' of the Financial Times, featuring a map of Germany and Austria and contact information for Bernd Wokurka.

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Blue chips lend support amid selling

TAKEOVER stocks remained under heavy selling pressure again yesterday on Wall Street, but blue chips gave enough support to the broad market for stocks overall to edge ahead, writes *Roderick Oram* in New York.

Some help came also from briskly rallying bond prices after the market had given a favourable interpretation to some mixed economic news.

The Dow Jones industrial average closed up 0.42 at 1,826.63, but in contrast the all-share New York Stock Exchange composite index managed only a fifth of the gain in percentage terms with a rise of 0.14 to 136.62.

Volume was heavy again at 184.3m compared with Tuesday's 185.3m, with declining issues outpacing rising by a margin of two-to-one.

Following the sudden 43.3 drop in the Dow on Tuesday afternoon, the market yesterday "looks like it is resting," said Mr Dan Marciano, senior vice president of equity trading at Prudential-Bache.

Some investors took the opportunity of Tuesday's decline to buy at relatively lower prices into blue chips, among which IBM was up 0.2% at \$123, General

Motors gained 1% to \$71. Du Pont advanced \$1 to \$85 1/4 and AT & T gained 3/4 to \$25 1/4.

"It looks like there's flight into quality," said Mr Tony Woodruff, head of arbitrage trading at Kidder Peabody. "When you have disruptive markets like this, everybody's going to say 'I only want to be in the good stuff.'"

Stocks which had risen sharply in recent weeks on hope or news of takeovers continued to fall rapidly as the market feared that the bidders would not be able to finance the deals. In many cases, the bids are to be financed by junk bonds from Drexel Burnham Lambert which has found itself under intensifying scrutiny in the wake of the Boesky insider trading scandal.

An unofficial index of 12 stocks identified as takeover or restructuring candidates plunged 11.1 points in the first two-and-a-half days trading this week, according to the Dow Jones news service which constructed the index. The fall would be equivalent to a 206-point drop in the Dow industrial index.

Among the takeover stocks, Gillette fell 0.7% to \$67 1/4 after its management had accused the bidder, Mr Ronald Perleman, of tipping off market players to his plans to launch a bid financed by Drexel. Drexel reiterated its confidence that it could raise the necessary funds.

Holiday Corp, the Holiday Inns chain, fell 0.2% to \$68 1/4 after market worries that it could not carry through its capital restructuring financed in part by Drexel.

Leas Sieglar plunged 10 1/4 to \$79. Wickes said it was having difficulty raising bank finance for its agreed bid for the company.

Among other takeover candidates, rumored or actual, USX - the most active of all stocks with 6.3m shares traded - slipped 5% to \$20 1/4. Transworld lost 0.2% to \$36, Goodyear Tire and Rubber dropped 0.2% to \$42, Borg Warner fell back 0.1% to \$37 1/4, Stop & Shop lost 0.1% to \$49 1/4 and Federated Department Stores was down 0.2% to \$67.

In the credit markets, junk bond prices continued to fall, with the heaviest pressure on issues underwritten by Drexel. But the tone of the market was better with a larger volume of bonds traded and more buying interest, particularly in the higher-quality issues.

Some of the hardest hit issues, particularly those issued to finance leveraged buyouts, were off as much as two points in the decline so far this week to around five or six points.

In the government bond sector, prices rose on economic news which in fact had mixed implications for the market. On the less favourable side, the third-quarter gross national product figure was revised upward more than expected which reinforces the view that there is no immediate need for the Federal Reserve to cut its discount rate to stimulate growth.

The price of the benchmark 7.50 per cent Treasury bond due in 2016 rose 1 1/2 to 100 1/4 at which it yielded 7.43 per cent. The price gains were far less marked at the shorter end of maturities.

Three-month Treasury bills fell five basis points to 5.34 per cent, six-month bills fell seven basis points to 5.33 per cent and year bills were off 10 basis points at 5.40 per cent.

EUROPE

Brussels hit by worries over GBL

TRANSATLANTIC events caused a mixture of waves and ripples on the bourses yesterday with some European markets all but ignoring the overnight decline on Wall Street.

Brussels, however, fell sharply as blue-chip Groupe Bruxelles Lambert registered its second consecutive loss, closing BFr 280 down at BFr 3,530. The group was traded heavily on continuing reaction to the news that the US Security

Frankfurt markets were closed for a holiday yesterday.

ties and Exchange Commission was examining the operations of its affiliate, Drexel Burnham Lambert.

Amsterdam also eased amid nervousness among investors over the insider trading scandal in the US. There was also some concern following speculation of domestic insider trading involving construction group Bredero and its property affiliate Brevest which were suspended on Tuesday ahead of a company statement.

Internationals suffered from the overnight fall on Wall Street, with Royal Dutch down BFr 3.80 to BFr 205.10 and Unilever BFr 7 to BFr 491.50. Philips, however, lost only 10 cents to BFr 44.10.

Zurich closed relatively steady although Pargesa bearer lost SFr 135 to SFr 2,200. The group has an indirect stake in Drexel.

Among eastern banks UBS fell SFr 15 to SFr 6,580 although Bank Leu added SFr 10 to SFr 3,790 and Swiss Bank was unchanged at SFr 528. Other financials included Swiss Re, down SFr 100 to SFr 16,400, and Winterthur, up SFr 25 to SFr 6,800.

Chemicals closed narrowly mixed with Sandoz, after its sharp falls in recent sessions, closing SFr 25 up at SFr 10,025. Hoffmann-La Roche "baby", however, fell SFr 50 to SFr 11,425, and Ciba-Geigy lost SFr 25 to SFr 3,375.

Stockholm recovered from worries over interest rates and rallied, largely

ignoring the effects of Wall Street's decline.

Good gains were seen among chemicals and pharmaceuticals while car maker Volvo scored a SKr 2 rise to SKr 378 on hopes of improved third-quarter results.

Pharmacia added SKr 2 to SKr 194 in active trading, and Fermentia rose SKr 5 to SKr 113.

Agfa, the industrial gas maker which announced the signing of an agreement to exchange technologies with Japan's Nippon Saaso, rose SKr 5 to SKr 199.

Madrid was also buoyant as signs of a slow-down in inflation helped to push the stock exchange index to its second-biggest single-day gain, rising 8.32 to 178. The largest jump was on September 29, when the index rose 7.22 on government measures to boost investment.

Banks gained, with Bilbao up 18 points to 1,095 per cent of nominal market value after news of higher nine-month profits. Central up 19 to 865 and Hispano 20 higher at 450.

Paris closed mainly lower on Wall Street's decline and the approaching end of the monthly trading account and despite good news on industrial output.

In construction stocks Bouygues lost FFr 16 to FFr 1,259, and Lafarge Coppée eased FFr 1 to FFr 1,305.

Milan was also generally lower again in moderately active trading. Industrial blue-chip losers included Montedison, which fell L30 to L2,925.

Oso was mainly steady in featureless trading.

HONG KONG

INVESTORS stood back in Hong Kong ahead of a government land auction later in the day. The auction price of the residential block was within market expectations and failed to encourage any later buying.

The Hang Seng index lost 6.63 to 2,243.34 in quiet trading.

Takeover speculation continued to affect Cheung Kong, which fell 25 cents to HK\$31.75, and its affiliate Hutchison Whampoa, which lost HK\$1 to HK\$40. Cheung Kong said after the close of trading it was seeking further talks with Canada's Husky Oil on a possible business combination.

SINGAPORE

NERVOUS selling reversed early gains in Singapore as worries over relations with Malaysia resurfaced. The Straits Times industrial index ended 7.40 points lower at 888.08 on turnover of 19.6m

LONDON

Nervousness results in further falls

NERVOUSNESS about Wall Street and weakness in government bonds continued this week's fall in share prices in London.

Prices fell sharply in the morning on the Boesky case repercussions but steadied towards the close when Wall Street held firm in early trading.

The FT-SE 100 index, 21 off before Wall Street's opening, ended a net 12 1/2 lower at 1,804.3, and the FT Ordinary index closed 12.9 down at 1,259.8.

Some international and speculative stocks came under selling pressure and oil stocks were also weak despite a small rally after reports that Iran had called on Opec to establish a price of \$20 a barrel. BP ended 1p down at 883p, and Buhmah Oil was 10p lower at 330p.

The gilt-edged market suffered a bout of retail selling as sterling fell faster against the D-Mark.

Chief price changes, Page 37. Details, Page 36. Share information service, Pages 34-35.

AUSTRALIA

A RAPID RECOVERY based on an upturn in the bullion price took the All Ordinaries index in Sydney 20.8 higher to 1,333.7 after seven days of retreat.

Bargain-hunting also pushed the gold index up 55.9 to 1,559.3. Leading gold advances included Central Newsman, which added 60 cents to \$13.40, Posidon, up 3 cents to \$5.20, and Metana, 25 cents higher at \$5.80.

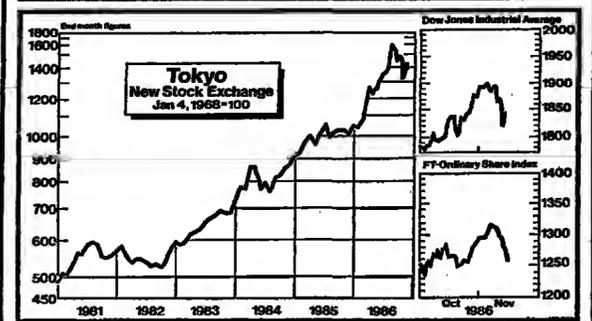
In the diversified resources sector CSR edged up 3 cents to \$2.78 after announcing higher profits.

SOUTH AFRICA

TRADING was hesitant in Johannesburg with gold shares ending mixed to easier as the bullion price hovered, uncertainly just above \$390 and the financial rand strengthened.

Gold's saw Buffels off 50 cents at R81.50, F.S. Cons steady at R52.50 and Driefontein up 25 cents at R69.

KEY MARKET MONITORS



STOCK MARKET INDICES			
	Nov 19	Previous	Year ago
NEW YORK			
DJ Industrials	1,826.63	1,817.21	1,438.39
DJ Transport	816.50	813.99	683.52
DJ Utilities	205.03	204.17	165.21
S&P Composite	237.66	238.63	220.50
LONDON			
FT-SE 100	1,804.3	1,617.5	1,412.1
FT-A All-share	798.35	805.58	689.71
FT-A 500	872.23	880.42	755.39
FT Gold mines	310.9	304.0	285.2
FT-A Long gilt	10.80	10.96	10.44
TOKYO			
Nikkei	17,283.81	17,273.53	12,607.3
Tokyo SE	1,419.79	1,421.86	991.63
AUSTRALIA			
All Ord.	1,335.8	1,314.5	963.0
Metals & Min.	651.3	638.2	489.3
AUSTRIA			
Credit Aktien	227.89	233.75	216.36
BELGIUM			
Belgian SE	3,823.53	3,864.95	2,919.09
CANADA			
Toronto			
Metals & Minis	2,067.90	2,088.90	1,857
Composite	3,000.0	3,026.2	2,793
Montreal			
Portfolio	1,510.71	1,524.07	135.22
DENMARK			
SE	n/a	189.25	229.40
FRANCE			
CAC Gen	378.40	379.10	235.2
Ind. Tendence	145.60	146.00	88.0
WEST GERMANY			
FAZ-Aktien	closed	657.37	589.79
Commerzbank	closed	1,975.20	1,742.7
HONG KONG			
Hang Seng	2,243.34	2,249.97	1,754.68
ITALY			
Banca Com.	718.66	723.13	423.62
NETHERLANDS			
ANP-CBS Gen	278.70	280.30	285.5
ANP-CBS Ind	278.20	277.80	210.9
NORWAY			
Osto SE	377.41	377.08	405.41
SINGAPORE			
Straits Times	888.08	895.48	758.93
SOUTH AFRICA			
JSE Golds	—	1,822.0	1,193.8
JSE Industrials	—	1,402.0	971.3
SPAIN			
Madrid SE	178.51	172.19	100.40
SWEDEN			
J & P	2,577.13	2,559.75	1,513.20
SWITZERLAND			
Swiss Bank Ind	570.00	577.10	638.2
WORLD			
MS Capital Int'l	341.00	337.5	239.7
COMMODITIES			
(London)			
Silver (spot fixing)	391.85p	391.55p	
Copper (cash)	£915.75	£909.75	
Coffee (Nov)	£2,032.50	£2,022.50	
Oil (Brent blend)	\$15.375	\$15.20	
GOLD (per ounce)			
(London)			
Nov 19	Nov 18	Prev	
London	\$383.25	\$391.25	
Zurich	\$383.25	\$390.95	
Paris (fixing)	\$383.44	\$389.96	
Luxembourg	\$382.00	\$388.25	
New York (Dec)	\$388.50	\$394.50	

TOKYO

Property and land are sole bright spots

THE SHARP overnight fall in Wall Street took Tokyo lower early yesterday, but prices picked up marginally on later buying, writes *Shigeo Nishiwaki* of Jiji Press.

The market lacked energy as institutional investors stayed away, and only housing-related stocks and issues involved in redevelopment projects drew buying.

The Nikkei average added 10.28 to 17,283.81 on a volume of 382.09m shares, up from 279.74m on Tuesday. Losses outpaced gains 429 to 382, with 151 issues unchanged.

The fourth-steepest fall of the Dow Jones industrial average on Wall Street spurred Tokyo investors to sell in small lots. However, buying gradually increased.

Sumitomo Heavy Industries continued to attract buying on its plan to build a large marine leisure centre in its dockyard site in Kanagawa Prefecture. But trading was chiefly designed to reap immediate capital gains, and the issue closed Y28 lower at Y268 after jumping Y11 to Y307.

Japan Steel Works, also involved in a redevelopment project, lost Y16 to Y386 in active trading. Tokyo Land and Nippon Kasei turned down, declining Y7 to Y825 and Y14 to Y147.

Investors selected domestic blue chips with relatively bright business outlooks. Lion soared Y90 to Y1,470 while Kao climbed Y10 to Y1,610. Among housing-related stocks, Daiwa House went up Y20 to Y1,730 and National House Y30 to Y1,370.

Drugs firmed, with Takeda Chemical rising Y50 to Y2,250, Sankyo Y10 to Y1,360 and Tanabe Seiyaku Y40 to Y1,560.

International blue chips came under selling pressure after investment trusts had stopped buying them. Toshiba finished Y24 lower at Y581, Matsushita Electric Industrial Y20 down at Y1,760 and Hitachi Y3 cheaper at Y959.

Trading in large-capital stocks ran out of steam in the absence of institutional investors. Ishikawajima-Harima Heavy Industries dropped Y21 to Y380, Nippon Kokan Y11 to Y202 and Tokyo Gas Y20 to Y950. Tokyo Electric Power suffered a Y50 loss to Y7,490.

Bond prices moved marginally in thin trading. Funds had been expected to shift to long-term bonds as the Bank of Japan clarified its policy of guiding short-term interest rates lower on Tuesday when it bought Y300bn bills despite the fact that there are surplus funds. But bank and securities house dealers were unwilling to move, reflecting Tuesday's slight decline on the US bond market.

The yield on the benchmark 6.2 per cent government bond maturing in July 1995 rose from 5.185 per cent on Tuesday to 5.210 per cent. However, city banks bought the relatively cheap 5.1 per cent government bond due in June 1996, which is expected to replace the 6.2 per cent bond as the bellwether issue, and its yield dropped from 5.580 per cent to 5.575 per cent.

CANADA

A BROAD retreat in Toronto affected most major sectors, particularly industrials.

Among active industrials were Canadian Pacific, which traded C\$4 lower at C\$15 1/4, and Inco, C\$4 down at C\$12 1/4. Against the trend Royal Bank of Canada added C\$4 to C\$33 1/4.

Husky Oil traded C\$4 lower at C\$9 1/4 on a possible business combination with Hong Kong's Cheung Kong.

Montreal traded marginally easier.

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FINANCIAL TIMES SURVEY

This survey is an integral part of the Financial Times and is not for sale separately



Helmut Kohl: running a solid economy and looking likely to triumph against his contender, Johannes Rau (right), in next January's Federal General Election



Johannes Rau, the Social Democratic Party (SPD) candidate for West German Chancellor: a flexible contender but saddled by the Opposition's lack of alternative policies

West Germany

Mr Helmut Kohl's Centre-Right coalition is heading for a fairly comfortable election victory in January. The economy has been performing successfully; apart from the black spot of unemployment, and West Germany now sees its world role with more self confidence. But some gnawing challenges remain as the post-war consensus on running the country comes under strain

A time for soul-searching

By DAVID MARSH in Bonn

In this survey

Table listing various survey topics and page numbers: Economic recovery: the upswing continues... 3, Banking: Impact of the Neue Heimat Affair... 4, Financial markets: surge of new issues... 4, The Deutschemark Eurobond market... 4, Nuclear energy: public opinion split... 5, Profile: Dr Helmut Schlesinger... 5, Defence issues: burden of non-nuclear army... 6, Inter-German relations: compromise over Aslans... 6, The motor industry: another record year... 8, Aerospace: sector under pressure... 8, Chemicals: a lacklustre performance... 8, Shipbuilding: strong mark an extra burden... 9, Mechanical engineering: a downward trend... 9, The top ten companies... 9, Winners and losers in share price movements... 9, Trade Unions: members take sides... 10, Profile: Ernst Breit of the DGB... 10, Agriculture: farmers flex voting muscle... 11, Steel industry: concern over EEC quotas policy... 11, Advertising industry: print media sets the pace... 12, Broadcasting media: cable projects under fire... 12, Profiles of key German cities: Bonn, Berlin and Frankfurt... 13, Profile: Heiner Gelsler of the Christian Democratic Union... 14, Business guide: attitudes to visitors are changing... 14



VOTERS in West Germany are facing the general elections in January with an air of lugubriousness which seems at first sight to contradict the evidence of the state of the nation. The Federal Republic enjoys material well-being and manifests a new-found self-confidence in high technology and the arts. In its management of the economy Mr Helmut Kohl's Centre-Right coalition has been more successful than most other Western governments. Inflation has been defeated, for the moment at least, and prices are actually falling for the first time since the 1950s. Although unemployment remains obstinately stuck at well over 2m, the number of people at work has been growing steadily. The current account and trade surpluses have never been higher. Above all reflecting the steady if unspectacular economic advance which in 1987 will enter its fifth year, Mr Kohl's administration, led by the Christian Democrat Union (CDU) and its Bavarian sister party, the Christian Social Union (CSU), is likely to be given a fairly comfortable mandate for another four years in government. The country is thus set for a more politically stable period than the US, France or the UK,

which all face important elections during the next two years, can reasonably expect. Yet beneath the surface a series of worries are gnawing away. They are all the more serious because they have grown up outside the political and economic mechanisms which have fostered and controlled the country's remarkable recovery since 1945. The malaise is most frighteningly exemplified by the well-organised urban terrorists, the Red Army Faction, who are following the violent example of the Baader-Meinhof gang a decade after the latter's defeat. It is also illustrated by the now almost endemic violence at demonstrations against nuclear power by groups of radicals—some linked to the terrorist movement—who occupy a position on the fringe of the massive and on the whole peaceful anti-nuclear movement. Other Western countries are also grappling with terrorism, but nowhere else are the terrorists' deeds—as in the murder in Bonn in October of the political director of the Foreign Ministry, Mr Gerold von Braunmühl—aimed so cold-bloodedly beyond the victim of the very foundations of what is still only a 37-year-old state. Although there have been sporadic cases of police brutality against anti-nuclear protesters, it has been to West Ger-

many's credit that this year's wave of violence against persons and property has not, on the whole, led to any overdone reaction. None the less, the sharpened anti-terrorist laws now being rushed through the Bundestag have aroused criticism both in the Opposition Social Democratic party (SPD) and among the Free Democrat party (FDP), the junior partner in the Bonn coalition, that the Government is diluting those carefully created post-war judicial and civil rights. Legislation The measures include legislation to allow terrorists lenient treatment if they give evidence against their accomplices and a widening of the scope of terrorist offences to include attacks on energy and transport installations. Because of the democratic checks and balances designed to guard against any resurgence of Nazi totalitarianism and tyranny, the state is not only directly under attack by terrorism but also has a guilty conscience about organising its own defence. A sense of living under threat is also due to the country's history and geographical position between East and West. No other industrialised nation is so acutely conscious of being an island in a stormy sea

of world troubles. The West Germans, on the whole more sensitive than other Europeans to international problems ranging from the super-powers' armed confrontation and the Chernobyl nuclear disaster to the flood of refugees from developing countries, tend to feel that the water is starting to lap dangerously around their feet. This mood—although clearly not felt by all West Germans—has been caught by Mr Carl Friedrich von Weizsäcker, the philosopher, nuclear scientist and elder brother of the Federal President, in his new best-selling book Die Zeit Drängt (Time is Running Out). "Mankind is in a crisis, the catastrophic peak of which is probably still before us," he writes in words hardly likely to fill his readers with joy. In another way, the tendency towards fatalism has been summed up by the Germans' unwillingness to respond to US pressures to do more to stimulate their economy. Senior German monetary officials say that, with the population declining in numbers and sated with material goods, the present growth rate of 3 per cent more or less represents the maximum possible. The belief that "time is running out" finds its political expression in the powerful and articulate ecology movement represented by the Greens.

The success of the Greens' anti-nuclear campaign in three important state elections since the Chernobyl disaster last April—in Lower Saxony, Bavaria and, earlier this month, Hamburg, where it won more than 10 per cent of the votes—has been not only a reflection of ordinary citizens' concern about nuclear power. More fundamentally, it has also illustrated the growing distrust in the workings of the celebrated consensus between government and industry which has been the bedrock of economic success. A further sign of weakening has come from the problems of the trade union movement. The system of strong centralised unions, able and willing to negotiate as partners with the capitalists, has been another pillar of economic stability over the past 30 years. It is now rocking. The Neue Heimat property group, Europe's biggest private housing concern and once the jewel in the German trade unions' crown, was sold after its financial collapse and a steady unfolding tale of mismanagement and corruption. Embarrassingly enough, it has since been bought back again. The union's role in a new and less cosy relationship with the employers seems a great deal less certain than before. This is partly because unemployment

(currently 8.5 per cent of the workforce) looks likely to remain startlingly high compared with levels existing as recently as 1980 (when it stood at 3.8 per cent). On the face of it the coming election offers voters a choice between two models of society. The CDU and CSU parties are still supporting nuclear power, whereas the SPD—under strong pressure on its Left flank from the Greens—has adopted a policy of phasing out all nuclear power stations over the next 10 years. On defence and foreign policy Mr Kohl has uncompromisingly aligned himself with Washington, laying himself open to charges of being tied to President Reagan's coat-tails. The SPD, on the other hand, has been accused of adopting neutralism by promising a less active military role within Nato and an end to West German participation in the US Strategic Defence Initiative research programme, although it says it will remain unwaveringly within the Atlantic alliance. The accident-prone Chancellor Kohl has resisted a series of minor crises in power since the SPD/FDP coalition was overturned four years ago. Mr Johannes Rau, the SPD candidate for the Chancellorship in January, is a more popular figure than Kohl. Continued on Page 2

In a changing world you need a steady partner



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WEST GERMANY 2

Politics

Why Mr Kohl must be feeling confident

THERE WAS a time just a few months ago, as the summer drew to a close, when the Social Democrats (SPD) began to look as if they might actually make a fight of next January's general election.

Mr Johannes Rau, the SPD candidate had a good party convention in late August and seemed to succeed momentarily at least, in drawing his often fractious party together.

But party unity is evidently not enough. The SPD has since suffered two major electoral defeats, in Bavaria and Hamburg. It would be rash to predict anything more than another setback for them in January. Certainly, they have no chance of winning an overall majority in the Federal Bundestag in Bonn. No single party ever has.

West German politics are never quite as predictable as

they seem to be, mainly because the two major blocs, the SPD and the so-called "Union" parties (Mr Kohl's Christian Democrats, the CDU, and its Bavarian sister party, the Christian Social Union, CSU) constantly have playing about their feet the liberal Free Democrat (FDP) party.

The FDP was in coalition with the SPD until 1982 and then abandoned it to go into coalition with Mr Kohl and the radical environmentalist party known as the Greens.

Both the FDP and the Greens command small shares of the vote—7 per cent and 5.6 per cent respectively in 1983, they only just scraped over the 5 per cent barrier necessary to get into parliament—but with the two big parties apparently unable to win national majorities they become kingmakers.

It is possible, for instance,

that the SPD could form a government with the help of the Greens, just as the Union parties could do so with the FDP. But the SPD insists that it won't form a government with the Greens, calling them unreliable in questions of defence and security policy, and might therefore seem to have written itself off for January.

The SPD may hope to form a minority government, tolerated by the Greens, but for that to work the Greens would have to do much better than 5.6 per cent because most polls now put the SPD at around 40 per cent and falling.

The environmentalists have had a curious year. The nuclear disaster at Chernobyl, it was thought, would send voters scurrying to support Green policy to abandon all nuclear power. Yet in Lower Saxony in June they won only 7 per cent in a state (Land) election. But they have since done well in polls in Bavaria and Hamburg, where they scored over 10 per cent, this is what they would probably need nationally to be of any use to the SPD after January.

Such an unlikely result would be little short of sensational. Indeed, the Greens are more capable than most parties of shooting themselves in the foot before January 25 and of ending up with nothing.

Mr Kohl must be feeling confident. He looked it on television soon after the Hamburg city state election on November 9, when the CDU became the highest party, with just over 42 per cent of the vote, after the SPD has shown a catastrophic fall from an overall majority in the



"Ecological, Social, Ultra-Democratic, Peaceful. The Greens", reads the sign at a Greens Party congress. The environmentalists have had a curious year.

Hamburg Senate to around 41 per cent.

His only worry as a coalition leader is that the FDP will suffer the same fate in January as it did in Hamburg in November and fail to clear the 5 per cent hurdle.

The FDP is engaged in a difficult internal debate between its economic liberal and "social" liberal wings over tough new security legislation the coalition Government is trying to introduce and it is possible that some of its unhappy supporters will turn to the SPD.

Some FDP leaders argue,

however, that the party's initial unwillingness to support these proposals was to blame for its very poor showing in the Bavarian state poll in October.

The Hamburg result was especially ominous for the SPD in that it contained a clear message too about voters' anger with the trade unions and their sale in September of Neue Heimat, Western Europe's highest housing concern, to an unknown West Berlin businessman for only DM1. The sale involved 100,000 homes and was an attempt by the unions to cut their losses in the concern,

which has debts of DM17bn.

But the sale has left a bitter aftertaste with many traditional SPD supporters. In working-class areas in Hamburg the SPD vote fell nearly 12 per cent. The unions, with impeccable timing, have chosen this general election as the first in which they come out firmly on the side of one political party—the SPD.

Meanwhile, both prices and unemployment continue to fall nationally. This will probably change next year, but the Government could not have hoped for a more serene pre-election economy.

Mr Kohl, despite earlier signs that his Government might follow the Tory example in Britain and restructure the economy, has not done so. He has little taste for ideology. Neither, it seems, have most of the electorate. SPD poll themes of "fairness" and "peace" and "safe energy" do not seem to be making much impression.

Basic Statistics

Land area	248.6 sq km
Agricultural area	122.0 sq km
Forests	73.3 sq km
Population, 1985	61.04m
Civilian employment, 1985	25.00m
Employed in (% of total)	
Agriculture	5.6
Industry	41.0
Services	53.4

Living Standards

Private consumption per capita, US\$**	7,274
Passenger cars per 1,000 inhabitants	412
Telephones per 1,000 inhabitants	598
TV sets per 1,000 inhabitants	367
** 1984 statistics	
** at current purchasing power parities	

Unemployment rates (% of the labour force)

Year	
1980	3.4
1981	4.8
1982	6.9
1983	6.4
1984	8.4
1985	8.4
1986†	7.5
† September	

Real GNP (% change)

Quarter	1984	1985	1986
1st	4.25	0.57	3.79
2nd	1.20	3.68	3.32
3rd	3.67	3.54	
4th	2.82	2.18	

Current account balance (DM)

Quarter	1984	1985	1986
1st	6,290m	4,880m	
2nd	2,230m	360m	
3rd	470m	5,340m	
4th	1,080m		
Quarter	1985	1986	
1st	6,220m	18,730m	
2nd	9,180m	17,570m	
3rd	12,950m		
4th	11,230m		

Trade balance (DMbn)

Quarter	1984	1985	1986
1st	11,960	15,960	25,990
2nd	8,110	18,550	26,960
3rd	14,960	20,210	23,350
4th	18,970	20,950	

Inflation, %

Quarter	1984	1985	1986
1st	2.88	2.38	0.64
2nd	2.87	2.45	-0.17
3rd	1.81	2.28	-0.41
4th	2.14	1.76	

Source: FT Statistics Department

Test for economic power-house of Europe

Continued from Page 1

lar personality than Mr Kohl. But the Chancellor, who combines provincialism and lack of intellectual pretension with an earthiness which can at times verge on the boorish, is none the less a representative enough figure for the nation as a whole.

Mr Kohl's scanty knowledge of European history was revealed by his recent jibe comparing Mr Mikhail Gorbachev to Hitler's propaganda chief Joseph Goebbels, which, not surprisingly, ignited a diplomatic clash with the Soviet Union. But his firm refusal to accept any personal guilt for Hitler's war (he is the first post-war Chancellor who was only a boy when it ended), undoubtedly strikes a chord with most ordinary Germans.

In addition, the SPD, beset by internal contradictions, has been unable to come up with a credible set of alternative policies during its four years in opposition.

But despite the pre-election polarisation between the two parties the age of consensus in West Germany is still not dead—and it is here that the nation's strengths for the future lie.

The country's unique ambiguity, forced by the post-war division of Europe and its former territory to face both East and West, makes it especially vulnerable to handshakes from the Soviet Union.

The SPD, which has just come to a somewhat bogus accord with the East German Communist party over establishing a first party over eastward in Central Europe, is clearly more responsive to such Eastern overtures than the CDU.

Yet the view that West Germany has a role to play in Europe from the Atlantic to the Balkans—underlined at the very least by the strong commitment to trade with the Eastern bloc—is common to both parties.

Again, both Mr Kohl and Mr Willy Brandt, the SPD chairman, have been echoing in recent months President Kennedy's speech, made in 1963 in which he spoke of Nato becoming a "two-pillar" organisation with Europe playing a much stronger role in relation to the US.

There is also more agreement than meets the eye on state intervention in the economy. For better or worse (and the judgment depends on whether one is a high-income taxpayer or a receiver of state handouts), subsidies and the overall tax burden have increased, in spite of the Right's free-market rhetoric, since Mr Kohl came to power.

Moreover, in recent speeches both Mr Kohl and Mr Rau have been stressing the need for Germans once again to be proud of their country. With Mr Kohl's new-found boldness in referring to the Fatherland, the CDU is clearly more insistent than the SPD on this line.

But both parties are voicing the German wish, after all the evil caused by aggressive nationalism and militarism in this century, to find a constructive role and reputation in the free world.

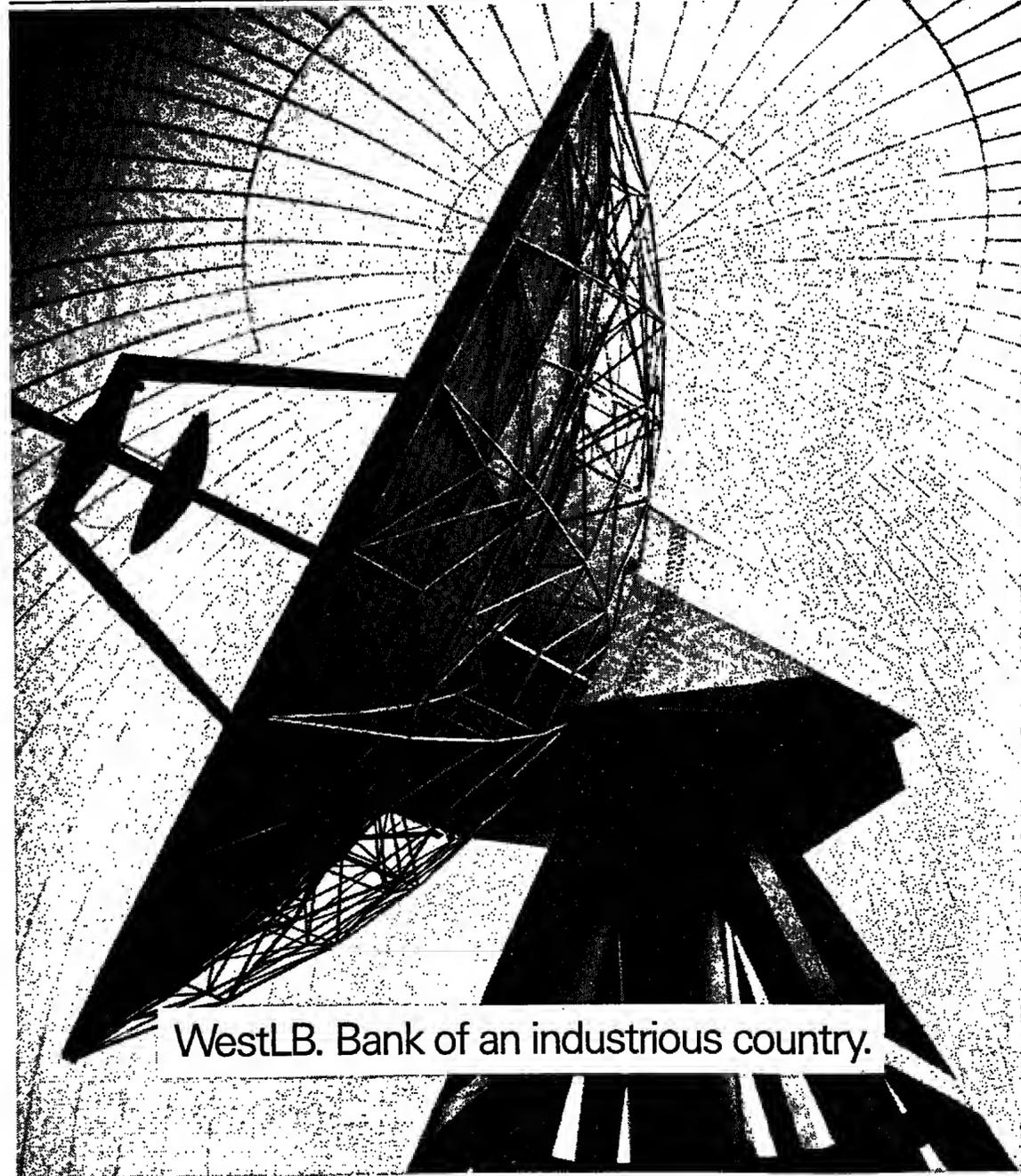
The search continues, bedevilled by terrorism, extra-parliamentary dissent and ever-nagging moral doubts, but helped immeasurably by the nation's proven ability to create political and economic stability on the ruins of defeat.

For a nation so prone to gloomy introspection and guilty misgivings it may be that the West Germans' best service to the civilised world would be to export some of the factors contributing to its own success.

Federal and European election results

Federal Republic of Germany, 1949 to 1984; excludes West Berlin and Saarland

Date	CDU/CSU	SPD	FDP	Greens	Others
14. 8.1949	51.0	29.2	11.9	—	27.8
6. 9.1953	45.2	28.8	9.5	—	16.5
15. 9.1957	50.2	31.8	7.7	—	10.3
17. 9.1961	45.3	36.2	12.8	—	5.7
19. 9.1965	47.6	39.3	9.5	—	3.6
28. 9.1969	46.1	42.7	5.8	—	5.5
19.11.1972	44.9	45.4	8.4	—	0.9
3.10.1976	48.6	42.6	7.9	—	0.9
5.10.1980	44.5	42.9	10.6	1.5	0.5
6. 3.1983	48.8	38.2	7.0	5.6	0.5
European					
10. 6.1979	49.2	40.6	6.0	3.2	0.8
17. 6.1984	45.9	37.4	4.8	8.2	3.7



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A strong personal relationship has been forged between President Mitterrand and Chancellor Kohl.

Relations with France

The axis stays firm

JUST AS it was in the time of the Elysee treaty signed in 1963 by Chancellor Konrad Adenauer and President Charles de Gaulle, the foundation of West Germany's European policies is built firmly along the Bonn-Paris axis. Although the foundations remain as strong as ever, there is now however some doubt about the stability of the structures built on top.

Chancellor Helmut Kohl in a speech in Chicago last month labelled Germany's "close links and friendship with France" as "the nucleus of European integration."

Mr Kohl has forged a strong personal relationship with President Francois Mitterrand. Their ties have been complicated by the fact that neither speaks a common language (unlike President Valery Giscard d'Estaing and Chancellor Helmut Schmidt, who conversed in English), and also by the new problems of "co-habitation" in Paris between a Socialist president and his conservative Prime Minister, Mr Jacques Chirac.

But the continued interest of both Bonn and Paris in forging closer links has been underlined by strong emphasis on both sides on further military and security co-operation and on building up a string of technological and industrial projects.

A large number of bilateral and multilateral meetings

between the two leaders, along with politically symbolic agreements—such as the accord earlier this year for France to "consult" West Germany about using its nuclear deterrent—have however masked the frequent difficulties in specific areas of Franco-German collaboration.

Chancellor Kohl in recent months has placed particular emphasis on co-operation in armaments. This is designed to go hand-in-hand with the rapprochement between the two sides on East-West disarmament issues and the substantial training and deployment links now being worked out between the two countries' armies.

However, in a range of areas—including notably over fighter aircraft—armaments collaboration has recently faced setbacks. French ideas of exploring the room for common ground in building tanks have so far come to naught. The long-running Franco-German project to build a joint military helicopter has meanwhile run into difficulties and the two sides are discussing simplifying the concept to cut costs.

In the civilian aerospace area, another touchstone of Franco-German links, similar difficulties and conflicts of interest have arisen.

There are differences both within and between the two governments about the wisdom of continuing talks on possible ties with McDonnell Douglas of the US over the new planned range

of Airbus airliners.

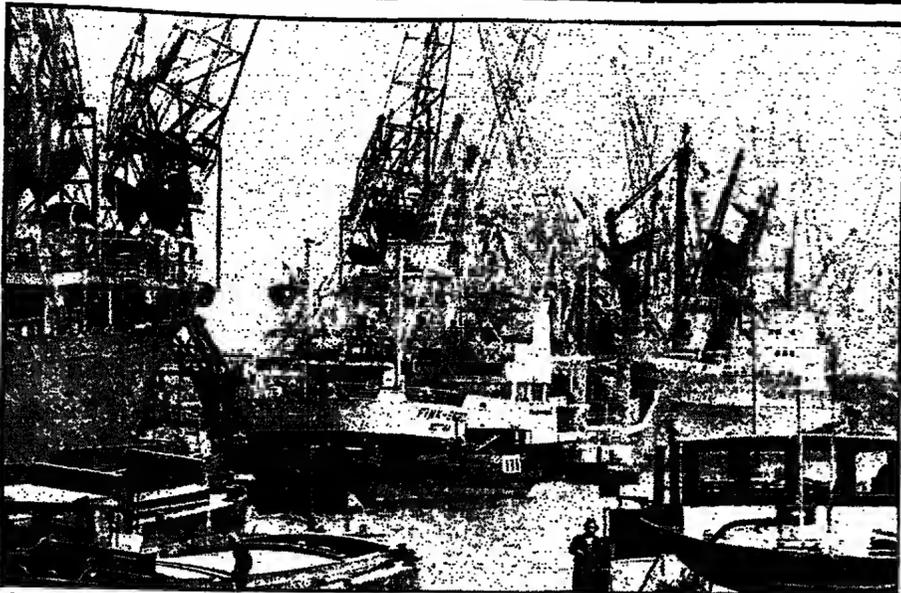
In space, France has been gratified by the West German decision to put up 30 per cent of the development costs of the mooted French-led space going aeroplane, Hermes. But Germany considers this an "intermediate technology" project compared with the British Hoyal design which could be built after the year 2000, providing a foreseeable possible tensions to come in the space debate with France.

The two governments last month organised a "cultural summit" in Frankfurt. The idea was to try to come up with basic ideas for plugging a growing educational and language gap between the French and German peoples, caused above all by the growing dominance of the English (or American) language as an international means of communication. The results, suitably, were rather meagre, especially because in Germany, cultural affairs are the domain of the Laender (state) governments.

France and Germany are more equal partners than in 1963, with the Germans having gained in post war confidence and their place in the world. But whether a more equal partnership will lead to more or less Franco-German dynamism in coming years remains to be seen.

David Marsh

JP 11/20/86



Goods being unloaded at Hamburg Docks. Bonn officials emphasise that West Germany has been doing more than Japan to draw in imports and to correct imbalances in the world economy.

Economic Recovery

The upswing continues

THE WEST German Government is heading for the January general elections with comforting economic news under its belt. But a priority for whichever Finance Minister is in power next spring—and it looks likely to remain Mr Gerhard Stoltenberg—will almost certainly be policy action to correct a probable flagging in economic activity forecast for later in 1987.

Although it has been under almost continual pressure from the US administration during the past few months to take more action to stimulate growth, the Bonn Government believes it has, at least for the moment, done enough to contribute to a healthier world economic outlook.

Average growth in gross national product this year is likely to be just under 3 per cent. This may be modest by the standards of past upswings, but it still adds up to a higher 1986 growth rate than that recorded by any other big industrial country except Italy.

Furthermore, the Government can point to the likelihood that recovery will continue next year, the fifth year of upswing after the painful 1981-82 recession.

The Government, the Paris-based Organisation for Economic Co-operation and Development, and the "consensus report" of Germany's five leading economic research institutes are all forecasting average growth of around 3 per cent next year as well.

Unemployment looks likely to remain stuck at well above 2m next year—the five institutes are forecasting a total of 2.12m against 2.52m this year. But employment levels are steadily moving upwards. A net rise of 300,000 people in work has been registered this year—although some of these jobs have been created through cuts in working hours—with another 250,000 due to be added in 1987, according to the institutes' report.

This year's sharp rise in the D-mark, allied to the fall in the oil price, has produced what amounts to the best possible of worlds for the West German economy. Exports have held up at a relatively buoyant level—after a sharp growth in the past few years as a result of the dollar's previous over-valuation. Import prices have fallen drastically under the impact of lower commodity prices and the cheaper dollar.



Gerhard Stoltenberg, Finance Minister, comforting news as the general election looms.

pects will be flagging next year. The implicit message delivered both to the Bonn Government and to the Bundesbank from the US is that, if Germany wants to keep up in 1987 this year's favourable increase in real domestic demand of around 4 per cent, then some stimulatory action will be necessary.

The Bundesbank is at present constrained by its overshoot money stock target (see Schlesinger profile) from cutting its discount and Lombard rates, set at 3.5 per cent and 5.5 per cent respectively. Although the central bank is keeping an interest rate cut up its sleeve for next year, the main onus is falling on Mr Stoltenberg to take some action on the fiscal side.

The threat on the foreign exchange market front is clear. Although the Bundesbank makes out a good case for its argument that the foreign trade surplus, in real terms, has already been declining for several months, in nominal terms the surplus continues to grow.

This is because the drastic cheapening of imports in D-mark terms has swamped the fall in import volumes caused by the currency's appreciation.

The effect is due to continue next year, so that the five institutes are forecasting that this year's record current account surplus of DM 70bn could fall only by about DM 10bn in 1987. The Bundesbank believes it will fall faster. But the surplus is still likely to be large enough for the currency markets to push through a further appreciation of the D-mark in the event that domestic growth starts to falter.

The German dilemma therefore could be severe next year. The Government may face the choice either of loosening its fiscal stance, probably through bringing forward tax cuts already planned for 1988, or else of accepting further problems for export industries as a result of a further D-mark rise.

Much will depend on how far the US makes a move in the next few months towards correcting its excessive budget and current account deficits. If the US makes strides towards adjustment, Mr Stoltenberg next spring will have much more leeway to announce tax cuts as part of a generally more co-operative approach to managing the world economy.

David Marsh

West German trade

Percentages in 1985

Imports from:		Exports to:	
Holland	12.6	France	11.9
France	10.6	US	10.3
Italy	8.0	Holland	8.6
UK	8.0	UK	8.6
US	7.0	Italy	7.8
Belgium/Lux	6.3	Belgium/Lux	6.9
Japan	4.5	Switzerland	5.4
Switzerland	3.7	Austria	5.1
Austria	3.3	Sweden	2.7
USSR	2.9	USSR	2.0

Source: Bundesbank

Inflation has turned negative—the latest consumer price index is 0.9 per cent below the year-ago level—with prices over the year as a whole likely to be 0.5 per cent below the 1985 average. And real incomes have risen sharply, stoking up a domestic demand-led recovery which the Government hopes will continue next year.

This bundle of favourable statistics will probably turn out to be an election-winning combination, with the Opposition Social Democratic Party (SPD) making heavy weather of turning unemployment into a major election theme.

But the clouds are already starting to gather over the outlook for 1987. The US-Japanese

economic package agreed at the end of October, under which Tokyo agreed an interest rate cut and a modest fiscal stimulus to boost faltering Japanese growth, may not be directly relevant to West Germany from the economic point of view.

Bonn officials underline that Germany has already been doing more than Japan to draw in imports and to correct imbalances in the world economy.

But, politically, the West German Government may now find it more difficult to resist calls from the US and other countries that it should relax somewhat the fiscal and monetary reins.

This is especially because the external influences which have boosted this year's growth pro-

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9-17 February
- FASHION-START-MUNICH**
In the Fashion houses and hotels, not at the Trade Fair Centre
22-24 February
- SPO-Sport**
26th International Sports Equipment Fair
26 February - 1 March
- SM**
39th International Light, Lighting and Homecrafts Fair for the Fair for Small and Medium-sized Enterprises
14-22 March
- SM MODE-WOCH**
MUNICH
International Fashion Fair
29 March - 1 April
- 14th CONGRESS OF THE GERMAN SURGICAL SOCIETY**
27-29 April
- IFAT**
8th International Trade Fair for Waste, Debris, Sewage, Refuse, Recycling, City Cleaning, Street Maintenance and Water Road Service
17-23 May
- LASER**
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The Neue Heimat Affair

A nasty jolt for banks

As the banks head for another record year, rather more of their attention than they would like has been taken up by a peculiarly domestic problem which the outside world may well find hard to understand. It is called Neue Heimat (New Home).

Within West Germany its repercussions have been dramatic. Sold by the trade unions to an almost unknown West Berlin bakery owner for a nominal DM1, the housing company owes banks around DM12bn and has total liabilities of over DM17bn. Unhappy about the sale, banks forced the unions to take it back.

Because of its huge debt burden, its murky and flecked past, and its atrocious business record, the heavily loss-making Neue Heimat has occupied hours of broadcast discussion and columns of print. Just over 100 banks and credit institutions, including some from abroad, have lent money to the company.

Neue Heimat, which rents out homes at cheap rates, is not a big industrial or financial corporation, with many thousands of employees and strong foreign business links. It is an example of Germany's post-war German concept of capitalism with a human and acceptable face.

That notion is now in tatters. Not only were creditor banks of Neue Heimat unconvinced that Mr Horst Schiesser, the bakery owner, could turn it round, but one of Germany's biggest financial institutions has also had to be put up for sale as a result of the affair.

Because of the financial effect on them of the Neue Heimat affair, the unions decided to sell Bank für Gemeinwirtschaft (BfG), the 12th biggest in non-state hands, to an insurance group. This in turn has raised the prospect of a greater overlap between the activities of banks and insurers.

The proposed takeover of 51 per cent of BfG by the Aachener and Münchener insurance group is certainly the highest advance into banking by a German insurer. More significantly, it is the largest acquisition in the country's financial services industry.

The unions also own the Volksversicherung, Germany's third-largest life insurer. This they may have to sell or float off now that their postwar experiment with capitalism has turned out to be so costly and embarrassing.

Despite the headaches caused by Neue Heimat for big and small German banks, and some foreign ones, the financial system is unlikely to suffer real or permanent damage in the country. Many of the loans are secured against property assets across many institutions.

"For the banks, therefore, there will be no danger," said Mr Hanns Christian Schroeder, Hohenwirth, president of the German banking association, in a recent interview.

Nonetheless, Neue Heimat has given many banks a nasty jolt, though the big institutions are well secured against shocks at home and abroad. They have huge hidden reserves, to which they have added voluminously as profits have surged ahead.

The background to these rising profits has been a stable, export-led economy, low (and currently zero) inflation, falling interest rates, and the decline in oil prices. West Germany's attraction, as a financial centre, based in Frankfurt, has also increased.

Liberalising measures by the Bundesbank have encouraged more foreign banks to go to Frankfurt to graze in the same pastures as their German rivals. The stock market also enjoyed a powerful four-year advance until last April, and bankers and investors are now waiting to see when, or if, this will be resumed.

With more foreign competition the banks will not find business quite so easy in future. There are doubts, moreover, about just how smoothly the hoped-for shift in economic demand from the export to the domestic market can be achieved as the strength of the Deutschmark starts to inhibit foreign sales of German goods.

But the banks are working from a position of strength. Of the big three, Deutsche Bank last year raised its group operating profits to DM4bn for the first time, Dresdner Bank to more than DM2.5bn, and Commerzbank to DM1.5bn.

Showing this year's positive trend, the smaller Berliner Handels-und Frankfurter Bank (BHF-Bank) reported a 30 per cent jump in profits in the first eight months of this year, helped by a slightly higher interest rate margin and buoyant securities business.

Because of their innate German caution and suspicions of excessive ambition or showiness, the banks have not cut quite such a dash on the international scene as some of their foreign competitors.

That seems to be changing, however. Long active in Luxembourg, where they went to escape the Bundesbank's restrictive minimum reserve rules, they have been spreading further afield. Deutsche Bank has shifted all its non-German Eurobond business from Frankfurt to London, thus nudging the Bundesbank into speeding up liberalisation in Germany.

This year the banks have been Tokyo-bound, though the Japanese authorities have not exactly put out the red carpet for them to operate in the lucrative securities business there. In turn, the Bundesbank has not allowed Japanese banks to lead the D-mark Eurobond issues. This reciprocal awkwardness is being gradually resolved, however.

Andrew Fisher

The Deutschmark Eurobond Market

Big names in banking scene

KARL MIESEL is a name to reckon with on the West German banking scene. So is Friedrich Hoyos. Both are leading figures in the Deutschmark Eurobond market.

They do not work for a big German bank. They left Deutsche Bank to join the rival CSFB-Effektenbank, which is by far the most prominent foreign lead manager of Deutschmark issues.

Increasing competition for market experts has pushed salaries up sharply, though certainly not to the excessive levels of Big Bang London. In the past year or so pay has doubled for top securities traders to between DM 150,000 (\$73,000) and DM 200,000. Apart from Deutsche Bank, other German institutions have had experts poached away by Swiss and US banks.

Since German fringe benefits and social security costs are high, banks in Frankfurt are seeing their staffing costs shoot up rapidly.

Mr Miesel, sometimes known as "Der Kaiser," helped to plan Deutsche Bank's capital markets operation in London, which opened a year ago. But he wanted more freedom for manoeuvre in the Eurobond sector than the big bank was prepared to allow him, so he decided to go.

Since the Bundesbank allowed foreign banks to lead-manage Deutschmark bond issues, activities of foreign banks in West Germany have increased rapidly. Apart from CSFB-Effektenbank, part of Credit Suisse of Zurich, the other two big Swiss banks—Schweizerische Bankgesellschaft (SBS) and Schweizerischer Bankverein—are also well established in Frankfurt.

Credit Suisse moved energetically into Frankfurt by buying the small Grundig Bank in Bavaria and then acquiring Effektenbank-Warburg and putting them together. It thus acted in anticipation of the Bundesbank's liberalising moves.

The bank has since won about 9 per cent of the Deutschmark Eurobond new issues market. Deutsche Bank still dominates with 45 per cent, more than the next four competitors put together.

Although it is less important than London as a secondary market, Frankfurt is strengthening its position as a primary source of capital for international borrowers. The strong Deutschmark is a key attraction, as borrowers bet on the possibility that it will not be so strong when their loans mature.

The move by foreign banks into Frankfurt, with US houses also crowding in, has been met with resignation rather than hostility by the big German banks. After the liberalisation by the Bundesbank the invasion was seen as inevitable.

As in London, the Frankfurt market expects a shake-out when business settles down and competent traders are no longer unable to command such a high premium. But for the present, experience and opportunism are in demand. As a bond manager at one of the Swiss banks in Frankfurt said recently: "They (the big German banks) can work with their muscles. We have to work with our brains."

Andrew Fisher

A.F.



Hectic trading on the floor of the Frankfurt bourse which is by far the largest of the eight German exchanges. Moves are afoot to streamline the system.

Financial Markets

Surge of new issues

WEST GERMAN capital and stock markets have not experienced anything approaching the big bang, but changes are definitely under way. Less explosive than in London, their repercussions are nonetheless important.

It was about a year ago that the German capital markets were thrown wider open to outsiders. Through the liberalising influence of the Bundesbank, foreign banks—apart from the Japanese, caught in a reciprocity argument over their own more restricted market—can now lead-manage D-mark bond issues.

A number have done so, with Swiss leading the way and US banks also pushing their way onto the Frankfurt scene. Apart from a few tidying up measures, most bankers operating in Germany do not see scope for a further wave of liberalisation on the bond market. Mr Helmut Schläpfer, vice president of the Bundesbank, as good as told them this autumn that not much more would be done.

Enough had occurred in the past 10 to 15 years to render further deregulation superfluous, he commented, stressing that there was no thought of taking any steps that might endanger the financial and currency stability on which Germany's capital market depended for its attraction. Co-incidentally, a seminar on German capital markets was held in Frankfurt shortly before the detonation day in London's stock market. Big bang was not the theme, but not surprisingly took up much of the discussion.

The bankers on the panel concluded that Big Bang would not have a great effect on the German markets, though there was no room for complacency. Certainly, said Mr Wolfgang Roeller, chairman of Dresdner Bank, moves to streamline Germany's stock markets—there are actually eight—should be speeded up.

Otherwise, he said, Germany could lose out. Moves to tighten up and modernise the organisation of the bourses, of which Frankfurt is by far the biggest with Düsseldorf in second place, are taking place. A new association has been set up to push this process ahead.

One step that bankers are agreed on is the abolition of the Boersensumsatzsteuer, or stock exchange turnover tax. This tends to restrict secondary trading, which thus flows abroad. It seems likely that the Bonn Government will do away with the tax next year.

One aspect of the London market revolution that Mr Roeller and other speakers, including Mr F. Wilhelm Christians, co-chairman of Deutsche Bank, agreed on was that it vindicated the German universal banking system, in which institutions combine a variety of lending, savings, and securities func-

tions, acting as both commercial and investment banks.

Thus there was little talk of reform. Much of the discussion centred on the stock market and the flood of new companies that have entered it in the past few years through new issues, as share prices soared in a four-year ascent.

That bull market tailed off after April this year and prices have mostly drifted since then. But Mr Christians thought the surge of new issues would continue and not just be a short-lived fad.

It was part of the role of the universal bank, he said, to nurse new companies onto the market and help fulfil their needs for new capital. Medium-sized and family firms make up a large slice of the economy and many now have a large and previously neglected appetite for equity.

Much of the buying of German shares has come from abroad. In turnover terms, German stock exchanges were third behind New York and Tokyo last year, as their Cinderella image was put even further behind them.

As exports are affected more strongly by the weaker dollar, market attention has switched to stocks with a strong domestic flavour, such as stores. It remains to be seen whether the bull market will resume.

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'The time is five to twelve' says the newspaper headline in this cartoon used by the ecologists' movement to illustrate the belief that time is running out over environmental and energy issues. Right: Roland Vogt, a Greens Party Federal MP is handled away by police during a protest against a planned nuclear waste reprocessing plant at Wackersdorf.



Nuclear energy

Public opinion deeply split on safety issue

THE NATION is split more than any other in the West over the question of whether nuclear power is a blessing or a curse. It started to build up its civil nuclear skills during the 1950s, supported by German physicists like Otto Hahn, the first man to split the atom. That was in 1938. Nearly half a century later the nation which gave birth to nuclear technology includes a large body of public opinion which wants to send it to its grave. The fierce debate over the safety of nuclear power, sharpened acutely by the Chernobyl reactor accident in the Soviet Union last April, is one of the dominating issues in the campaign leading up to the January 1987 election.

The controversy has become a proxy for much deeper dissensions over the whole direction of West German society. Over-aid by other themes ranging from law and order and civil rights to the basic question of competition policy in the energy business, the debate has become both a challenge for West German democracy and a sign of its vigour. The vast majority of opponents use peaceful means. But violent demonstrations against nuclear power plants—a feature of West German life for a decade now—and the police and Government authorities' own efforts to clamp down on the troublemakers, combined with the general upsurge this year in terrorist activity, have led to strong feelings and a soul-searching not seen in other countries.

Debate has centred not only on the health risks related to nuclear power but also on the costs and inconveniences. In economic, environmental and technological terms, of other sources of energy. The many books and pamphlets, propositions and counter-propositions published on the subject in the months since the Chernobyl disaster shows that public discussion on the matter is on an incomparably higher level than in neighbouring France. But this if anything makes the nuclear Gordian knot more than less difficult to cut. The approaching election has polarised the main political groupings between the pro-nuclear conservative Christian Demo-

crat (CDU) and Christian Social, (CSU) parties on the one hand and the opposition Social Democrat Party (SPD), which has adopted a policy of phasing out nuclear power over the next 10 years, on the other. The SPD—30 years ago an enthusiastic supporter of nuclear power—has been becoming progressively more doubtful over the past 10 years. The party has been forced to join the anti-nuclear camp partly as a result of the increasing popularity of its left fringe of the Green ecology party campaigning for 'switching off' without delay. It is fair to say, however, that whichever party is in power after January will have to make up its mind on some tricky nuclear issues which will entail compromises with policies outlined during the election campaign.

Nuclear energy made up just over 30 per cent of electricity output in West Germany last year—slightly less than the proportion from anthracite-burning power stations and accounting for nearly 11 per cent of total primary energy consumption. Since the Chernobyl disaster the CDU-led Bonn coalition has firmly rejected any question of turning back from nuclear energy. Mr Walter Wallmann, the new Environment Minister who is responsible for reactor safety, takes delight in spelling out that out of the country's 20 nuclear power stations 17 were started up under SPD-led governments. Mr Wallmann, whose crisis-management appointment last summer seems to have been one of the most astute political moves made by the Kohl administration, has assembled a set of clearly expressed arguments to embarrass the anti-nuclear campaigners. Mr Wallmann is also supervising a steady and thorough move, made necessary partly because of the continual lobbying by the Greens over the past few years, to clean up coal-fired power stations through the fitting of chemical scrubbers and filters so as to reduce the emission of sulphur and nitrogen oxides as well as dust. He says that any reduction of dependence on nuclear energy would burden the country with additional environmental prob-

lems and raise costs for households and industry. The Government is also sticking strongly to the line that West Germany, with nuclear power plants operative in both Western and Eastern Europe, is vulnerable to the potential hazards of radiation whether or not it keeps its own. It has argued that a move away from nuclear power would not only damage the country's image as Europe's industrial giant but would also give it even less influence in trying to win international acceptance for uniform safety standards and accident notification procedures. The opposition claims that the socio-economic advantages of nuclear energy disappear when the true costs of waste disposal, eventual plant dismantling and safety insurance are taken into account. These considerations, it is true, are either not included in the cost equations worked out by the pro-nuclear lobby or are hidden by a welter of public subsidies. The critics also argue that West Germany could drastically lower its overall energy consumption over the next 15 years by applying more efficient energy-saving measures—including higher prices. Two independent reports recently commissioned by the Government to examine the economic consequences of any phasing-out of nuclear power have concluded that this would certainly mean additional costs and disadvantages but that they would not be grave enough to cast serious doubts on the validity of such action. None the less, the Government, in its Energy Report published in September, stated firmly the view that in spite of the need for greater attention to safety since the Chernobyl disaster, nuclear power 'now and in the politically foreseeable future (brings) advantages for growth, prosperity, competitiveness, employment and the environment.' Despite the Government's apparent self-confidence, and the likelihood that a CDU-led administration will remain in power after the January poll, it is certain that nuclear energy will remain a subject of strong controversy for a long time to come. David Marsh

PROFILE: DR HELMUT SCHLESINGER, DEPUTY GOVERNOR OF THE BUNDESBANK

A discreet monetary technocrat

IT MAY be going a little too far to say that Dr Helmut Schlesinger is the uncrowned head of the Bundesbank. But the central bank's 62-year-old chief economist and deputy governor, generally little known outside West Germany, exerts a degree of influence over the nation's financial affairs out of all proportion to his manner as a discreet and diffident monetary technocrat. Dr Schlesinger, who joined the Bundesbank in 1962, is a symbol of stability at the constitutionally-independent central bank—and the man who, more than anyone else, represents its unswerving commitment to defending the integrity, not to say the sanctity, of the D-Mark.

During the last few months, Mr Karl Otto Poehl, the governor, has attracted criticism from some quarters of the US government for refusing to bow to pressure to cut German interest rates. Although Mr Poehl and Dr Schlesinger are now of the same opinion on the undesirability of any loosening of the monetary reins, Dr Schlesinger has played a leading role in stiffening the central bank's resolve over the matter.

Mr Poehl, well-known abroad, who now, after nearly seven years in the job, combines the hubris—and girth—of a traditional central banker with the ability to crack irreverent jokes, is the Bundesbank's Foreign Minister. Dr Schlesinger is firmly in charge of affairs at home. And, in the Bundesbank's eternal dilemma between domestic and international affairs, the Interior Minister is a steadfast believer that monetary policy must be geared above all to achieving stability at home rather than to winning friends in the US administration. This means that, in spite of Germany's move to negative inflation this year, Dr Schlesinger has been one of the first to register anxiety at the current overshooting of the Bundesbank's target for growth of the money stock, the main German measure of the money supply. Even though part of the rise is certainly due to greater preference of investors for liquidity at a time when (because of the drop in inflation) bank deposits and securities are offering low nominal yields, this year's bulge in the money stock is interpreted as storing up potential inflationary trouble for



Dr Helmut Schlesinger: a symbol of stability at the constitutionally-independent central bank.

formerly discussed with Mr Poehl committing US foreign exchange reserves to defending the dollar, the Bundesbank now says that any reason to cut interest rates, at least for the time being, has vanished. Dr Schlesinger stresses that, as just one of the Bundesbank's 17-member policy-making council (composed of the presidents of the state or Lander central banks as well as of the Bundesbank's directorate), his voting share is just 5.8 per cent. None the less, the Schlesinger doctrine of 'stability first' has without doubt crucially shaped the views and policy actions of Mr Poehl during the last few years.

This was particularly so during the difficult early years of the 1980s when, confronted with unusual weakness of the D-Mark and a German current account deficit, the Bundesbank ran into strong criticism from the Schmidt government by repeatedly bolstering interest rates. Indeed, there are some Opposition Social Democrat (SPD) politicians such as Mr Wolfgang Roth, the party's economic spokesman, who accuse the Bundesbank in general and Dr Schlesinger in particular, of

being indirectly responsible for the Schmidt government's downfall in 1982.

During Dr Emminger's years as the Bundesbank's main international monetary ambassador, the two forced a close relationship, although the peppery Dr Emminger was always in the front seat.

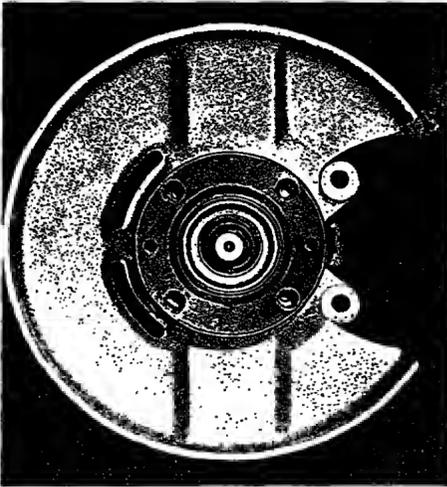
The spirit of the tandem lives on, Dr Schlesinger believes that whenever the West Germans have been forced into more expansionary economic action by outside circumstances—for instance, the (relatively small) summit decided after the Bonn summit in 1978—the consequences have worked out badly for domestic inflation and growth. That explains why, even with West German prices likely to rise by no more than 1 or 2 per cent next year, the Bundesbank under the 'stability first' doctrine is behaving as though it were preparing for an inflationary surge.

David Marsh

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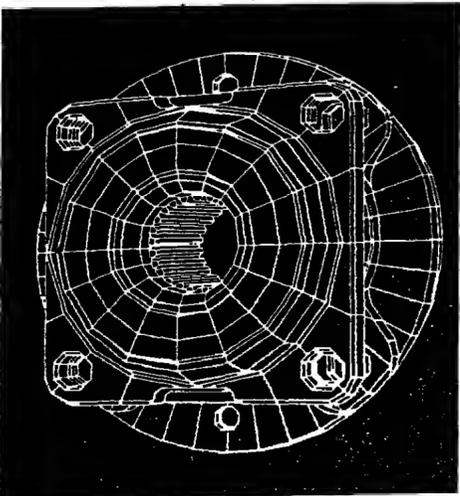
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down to the micro world of our products.

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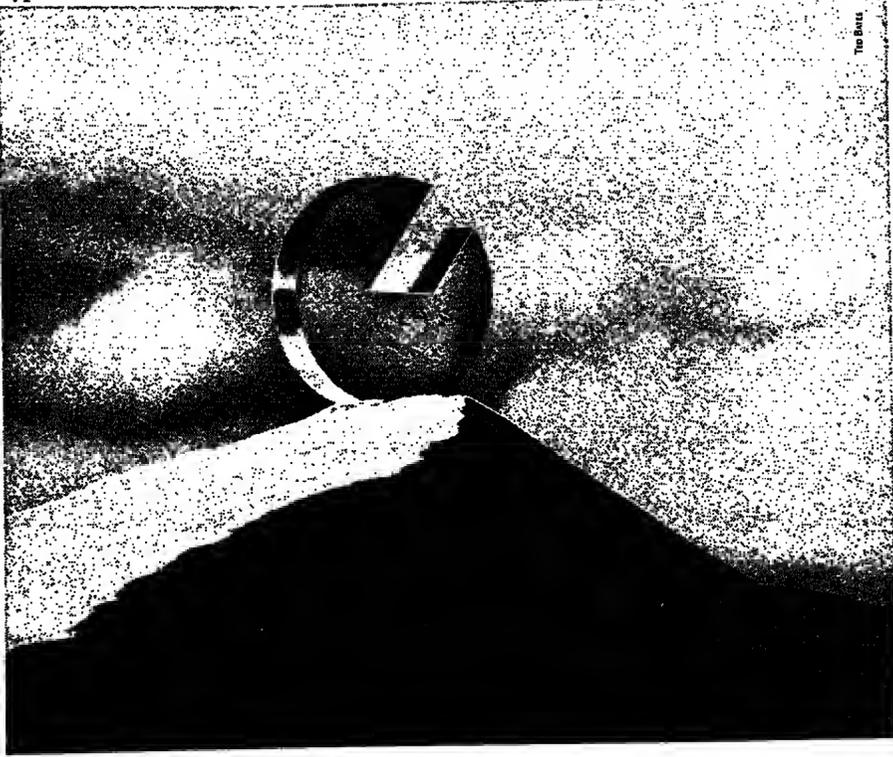
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WEST GERMANY 6

VI



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The MB 339K ground attack aircraft: the Bonn Government has become worried about Soviet conventional superiority in Europe

Defence Issues

Burden of non-nuclear army

MR MANFRED WOERNER, the German Defence Minister, is facing up to the string of challenges ranging from President Reagan's plans to shoot down missiles in space to German women's proclivity to taking the birth control pill.

With the largest active service army in Western Europe—495,000 troops—and a defence budget totalling DM 51.3bn next year or 19 per cent of government spending, the country is also bearing a sizeable share of overall Nato defence responsibilities.

Yet the diverse pressures flowing from West Germany's exposed position on the East-West strategic map are stirring up some tough defence policy questions in coming years.

For a nation which has sworn nationalistic militarism, West Germany faces the mighty problem of keeping up to a huge conventional army in a world where—given the current direction of US-Soviet arms control talks—less reliance may be placed on nuclear deterrence.

The country is confronted with a declining birth rate, likely to complicate greatly the task of drafting conscripts in the 1990s. The centre-right coalition government is also having to live with an electorate where a vocal minority, partly supported by policies of the Opposition Social Democratic Party (SPD), is showing clear tendencies towards neutralism.

West Germany's problem is that, in the chess game between Moscow and Washington over nuclear disarmament, it is both a pawn and also the board on which any European military skirmish between the superpowers would be played out.

Mr Helmut Kohl, the Chancellor, has stood up stoutly in defence of President Reagan's negotiating strategy in the current round of talks with the Soviet Union. And Mr Woerner, at the same time, is trying to build up links with France in the three areas of strategy, troop training and deployment, and armaments production, now ranks as one of the firmest supporters of the Atlantic alliance in the Bonn

government.

The German chancellor in particular has held on steadfastly to American coat-tails over the Strategic Defence Initiative research programme designed to come up with a space-based anti-nuclear defence system.

This has been in the teeth of criticism from the SPD that SDI is both destabilising and would not work—and, at last month's Reykjavik talks, has held up progress towards a deal on eliminating medium-range nuclear missiles in Europe.

Mr Kohl argues, like the Americans, that without SDI the Soviet Union would not have been ready to lay down disarmament proposals on the negotiating table. Putting a generally optimistic gloss on overall chances for East-West arms reductions, Mr Kohl is calling for patience.

In the Bundestag earlier this month, he clung to the view that a breakthrough in cutting both nuclear and chemical forces was possible within the near future—in spite of the Soviet Union's insistence, for the moment at least, that no deal on cutting medium-range weapons can be possible without US concessions over SDI.

The German position on the medium-range nuclear missiles question is indeed ironic. It also once again exposes the perpetual German dilemma. Whether the nuclear threshold in Europe is lowered or raised, Germany feels threatened—in the former case, because it believes limited nuclear conflict could break out over German soil, in the latter (a process which seems to be in train at the moment) because the country could become the theatre for another conventional war.

Mr Kohl's administration, after all, in its first year of power in 1983, had to weather a fierce storm over the deployment in Germany of US Pershing and cruise missiles—a product of the Nato "two track" decision in 1979 to deploy the weapons unless the Soviet Union cut back its stock of SS-20s.



Manfred Woerner, West German Defence Minister: facing difficult decisions

Reykjavik (even if currently stalled by US-Soviet disagreement over SDI) is now moving in the direction of both Soviet and US intermediate range missiles being dismantled. Mr Woerner once said he would crawl on his knees from his south German constituency to Bonn if it would help to abolish medium-range missiles.

But now that deep cuts both in intermediate-range and in long-range nuclear missiles in the next few years, have become a possibility, the Bonn Government has become worried both about Soviet conventional superiority in Europe and also about the short range nuclear weapons stationed in Eastern Europe which would not be included in any arms control package.

Chancellor Kohl in his Bundestag speech this month said the prospect of a "zero-sum" over intermediate nuclear forces in Europe was "acceptable" to Bonn. But he put all his weight behind efforts to reduce the Soviet Union's conventional force superiority—underlining that "on no account should a conventional war in Europe again become

feasible and more probable."

Germany in the last few weeks has insisted on the need for France to take part in discussions over the conventional forces imbalance in Europe. This is a reflection both of the increasing closing of ranks between Bonn and Paris on defence strategy and also of the German belief that its own ability to maintain adequate conventional forces in coming years will be severely strained.

Mr Woerner, after a string of controversies during his early period of Ministerial office now looks fairly secure of being kept on in the job should the coalition win the elections in January. He has pushed through a politically tough measure to increase the period of military service from 15 to 18 months to anticipate the falling number of young men of call-up age, likely to be a problem above all in the 1990s.

No other western country has taken such a step, but it is probably not the last unpopular defence measure Germany may have to take to keep up its Nato responsibilities.

General Wolfgang Altenburg, a well-respected former General Inspector of the German army, who left his post at the beginning of October to become head of Nato's military committee in Brussels, used his last press conference in Bonn in September to launch an "appeal" to politicians on the need for more government spending on conventional defence.

This shoots directly across the bows of the SPD's latest proposal of holding out an olive branch to Moscow to make the German army "structurally incapable of attack."

The Altenburg line also does not necessarily tie in with Mr Kohl's own election campaign slogan of peace through "less weapons." Given the uneasy and meandering paradoxes associated with arms control proposals, the current round of East-West discussions may herald more tortured decisions for Bonn over defence policy, not less, in coming years.

David Marsh

Inter-German relations

Compromise on Asian refugees

REMARKS BY East Germany's leader, Mr Erich Honecker at the autumn Leipzig trade fair, caused West Germany's politicians to sit up and take notice. Continuity it would be the future — for good relations between the German Democratic Republic and the Federal Republic of Germany," he said.

Mr Honecker spoke in the presence of West Germany's Permanent Representative in East Germany, Dr Hans Otto Brautigam at the exhibit of a major West German chemicals company.

"And if this principle prevails on both sides — as we assume it does — we will be able to solve all the other problems as well. Just as our companies have solved them," he added, with emphasis.

Mr Honecker's remarks were borne out more quickly than anyone present had thought likely. Shortly afterwards East Germany said it would halt the flood of Third World asylum-seekers entering West Berlin from East Berlin's airport. The year's most vexing problem in relations between East and West Germany was thus solved by an East-West German compromise.

The most remarkable aspect of the affair was that the question of "who conceded what" in order to reach a solution was no longer raised in public. It was assumed that the other side would express its appreciation later in order not to show the slightest linkage.

East Germany this year will allow some 200,000 of its citizens below retirement age to visit West German relatives and friends. This was more than at any time since the Berlin Wall was built and three times the number last year. It was one of the most promising developments in a year which also saw the 25th anniversary last August of the building of the Wall.

The decision to allow younger East Germans to visit the West was taken last year in response to earlier West German economic and political favours to East Germany. But the flow of visitors westwards served an internal purpose as well.

The lack of travel to the West for younger East Germans (retired persons were long able to travel) is one of the most widely resented aspects of life in East Germany. It was largely been responsible for the growing number of East Germans applying to emigrate to West Germany.

Ironically, Mr Honecker himself was unable to visit West Germany because of continued Soviet opposition to his travel plans.

Moscow, in the early 1980s, fully approved of Mr Honecker's opening to West Germany which it hoped would prevent Bonn from agreeing to the deployment of US medium-range missiles on West German territory. But to no avail. Mr Honecker was only successful in convincing the opposition Social Democrats (SPD) of the desirability of nuclear and chemical free zones in central Europe. It was increasingly difficult for Moscow to justify the growing ties between East and West Germany which have hinged on a network of inter-dependency.

Despite Soviet suspicions, however, inter-German contacts have not been affected by the latest chilly blasts in relations between the Soviet Union and West Germany.

Reciprocal visits by ministers to East Berlin and Bonn are now almost routine events. For the first time, East and West German cities, Saarbrücken in West Germany and Eisenhuetenstadt in the East — were twinned. They are to be followed by a number of other partnerships.

A recent evening of discus-

sion of the West Germany Permanent Mission in East Berlin illustrated the new quality of East-West German ties. Senior members of the ruling East German Politburo came to hear a speech on "securing peace in Europe" by Carl-Friedrich von Weizsäcker, the brother of the West German president.

Mr Hermann Axen, the chief adviser to Mr Honecker on international relations, took an active part in the ensuing discussion. He said both sides were "close to each other" in their desire to overcome the "institution of war" in the nuclear age. But there were differences between them, he noted, over the West's approach of "first peace, then disarmament."

Negotiations between Bonn and East Berlin are well advanced to conclude agreements on environmental protection as well as science and technology. In both cases the inclusion of West Berlin was one of the major hurdles to be overcome. Under the 1971 Four-Power Accord, West Berlin may not be governed by Bonn which however may represent the city's interests abroad.

As in earlier years when political links were virtually non-existent, trade between the two Germanies remained of enormous significance. This is especially so for East Germany which conducts 10 per cent of its total trade with West Germany.

The advantage for East Germany is that trading with West Germany, which is based on a barter-like clearing system, does not involve expenditures of scarce hard currency. It also provides East German industry and agriculture with a reliable tariff-free market for products — such as refined oil, pork and textiles — which would otherwise be difficult to sell in the West.

West European producers

regularly accuse the East Germans of smuggling East German products and those of other Comecon countries into the EEC through the West German loophole. But in practice this is exceedingly rare.

One unique feature of Intra-German trade, the interest free "swing" credit, long served to stimulate West German sales to East Germany. The swing, however which was raised to DM 850m annually and which allows East Germany to overdraw its account when purchasing West German goods, has been underutilised by the East Germans in recent years.

Trade between the two Germanies in the first half of this year contracted for the first time in years. This was largely a result of falling oil prices which hit West German sales of crude oil to East Germany and East German counterdeliveries of oil products to West Berlin — but only in value, not in quantity.

West German sales to East Germany thus fell 8 per cent to DM 3.7bn while East German deliveries to East Germany were down 5 per cent to DM 3.7bn. Overall, trade between the two Germanies is expected to fall below DM 16bn this year after hitting a record DM 16.7bn in 1985.

West German specialists in trade with East Germany say it will expand only by using more sophisticated forms of economic co-operation such as joint ventures. East Berlin, which was worried about letting its companies get too close to West German ones, was until now opposed. But recent statements from Moscow indicating approval of joint ventures for Soviet and Western companies are likely to leave their mark in East Berlin.

Leslie Collett

in Berlin

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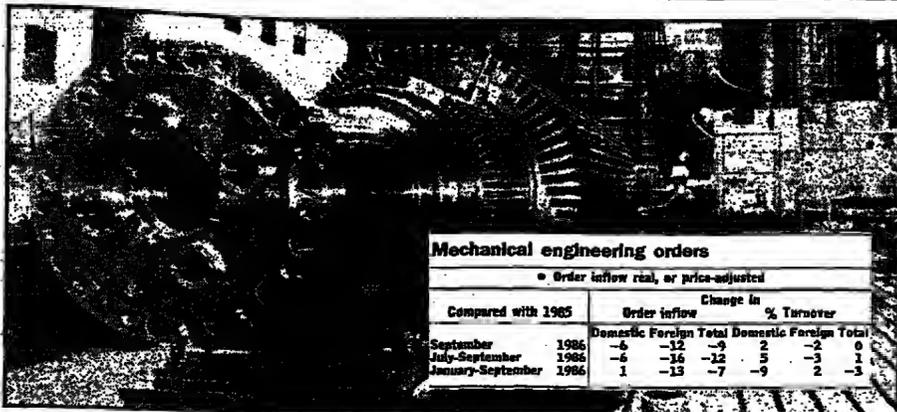
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		Order inflow real, or price-adjusted				
Compared with 1985		Order inflow		Change in % Turnover		
		Domestic	Foreign	Total	Domestic	Foreign
September	1986	-4	-12	-9	2	-2
July-September	1986	-6	-16	-12	5	-3
January-September	1986	1	-13	-7	-9	2

Mechanical engineering is West Germany's biggest industry in terms of sales, jobs and exports. Above: an electricity generator rotor being manufactured at Kraftwerk Union.

Mechanical Engineering

Key indicator's downward trend

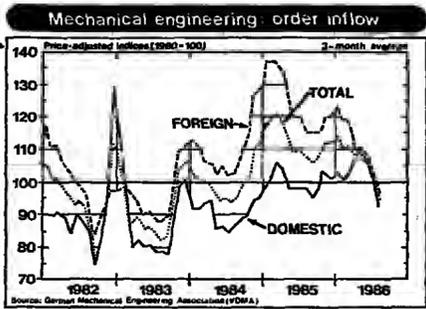
THE GRAPH alone tells the story. With a clear downward trend in both foreign and home orders in recent months, the heavily export-oriented mechanical engineering industry is moving into a testing period.

As Germany's biggest industry in terms of sales, jobs, and exports, its performance is closely watched as an indicator of the economy. For this year, growth in output of around 6 per cent is expected. But next year could see an advance of only half this level.

The assessment comes from the German Mechanical Engineering Industry Association (VDMA), which reported recently that new orders in September were some 9 per cent lower overall in real terms, incorporating a 12 per cent drop from abroad and one of 6 per cent at home.

For the first nine months, the trend was just as unappealing, on the export front, with a drop of 13 per cent in the order inflow. Home orders, though, managed a tiny 1 per cent improvement, with the total new order bookings down by 7 per cent.

Within Germany, some of the order slowdown stems from the fact that plants are already so busy with orders that they cannot take on much more work. The order backlog runs for at least six months.



Exports make up about two-thirds of the sector's total output. Thus the slowdown in the US market, as the weak dollar affects sales and prices there, is making quite a dent in its export performance. Sales to the US, which only overtook France as the industry's biggest customer two years ago, are growing far less rapidly than last year and could even fall in 1987.

In the first six months of 1986, deliveries to the US increased by a still respectable 11 per cent compared with the heady 24 per cent achieved in the whole of 1985. But the slower growth has continued into the second half, leaving the VDMA to conclude that next year could see a decline.

Total exports in the first half were a nominal 9 per cent higher in the first eight months at DM 63bn (\$30bn). It is not only the fall in the dollar against the D-mark that is causing concern, though. There are plenty of other worries. The collapse in energy prices has weakened the purchasing power of the Opec countries, which bought 15 per cent less from German engineering companies in the first half. They account for about 5 per cent of total exports against 11 per cent for the US and 65 per cent for Western Europe.

The high indebtedness of

countries such as Mexico, Brazil, Argentina, Egypt and Nigeria is singled out by the VDMA as yet another reason for furrowed brows. So, too, were the consequences of the Chernobyl reactor disaster in the Soviet Union for that part of the industry involved in supplying equipment for nuclear power stations.

But with all these problems, exports had been buoyed up by continued strong demand in Europe, with a 10 per cent rise in export to EEC markets, including a 17 per cent jump in business with France. Sales to the UK, however, the second biggest customer in Europe fell by just over 2 per cent.

Jobs in the mechanical engineering industry, which includes around 2,700 companies, have risen by around 5 per cent so far this year to nearly 1.1m, an encouraging trend in a country where unemployment is still a blot on an otherwise fairly vibrant economy.

Capacity is being highly utilised, with an operating rate for plants of nearly 90 per cent on average. But companies are finding it hard to recruit enough skilled workers to run the increasingly sophisticated and computerised machines. It is a complaint that is being increasingly heard in German industry.

Andrew Fisher

Shipbuilding

Strong mark an extra burden

THE WEST German shipbuilding industry, like those of other coastal nations, is in a state of acute crisis. Since even the Japanese and South Koreans—numbers one and two in the world industry—are beseeching the state of the industry, the higher cost producers in Europe are finding the going ever more rough.

The German industry ranks as one of the most efficient in Europe in both construction and repair. Recently, the QEE2 sailed into Bremerhaven for a costly refit. Other cruise ships have also turned to Germany when their time has come to be smartened up and modernised.

But new shipbuilding orders are few and far between. Thus jobs in the industry have slid alarmingly in recent years and a number of yards have had to close. In the three years to 1985, German shipyards shed 15,000

jobs. The workforce was thus nearly halved in 10 years. Apart from the weak level of demand, a reflection of the prolonged shipping crisis that followed ambitious over-ordering in the past, the high level of the D-mark has been an extra burden, though Japan has also been contending with a higher yen.

Back in 1984, when the D-mark was much lower, the industry was able to win new orders worth DM 3.2bn, representing nearly 6 per cent of the world market. Last year, orders climbed further to DM 3.8bn, but with a number of ships due for delivery early this year, the outlook was bleak.

Because of the sorry state of the industry, the Bonn Government decided in October to inject some DM 420m into the northern parts of Germany which were suffering from the weakness of shipbuilding and

related industries. The regions affected are Schleswig-Holstein, Lower Saxony, Bremen and Hamburg. These states will also pump a further DM 200m of their own money into their worst-hit areas. Because of the unrelenting Asian competition, with China now coming up from behind its neighbouring rivals, and continuing poor demand, about a quarter of the remaining 40,000 jobs in the industry are expected to disappear in the next few years.

Some relief appeared recently, however, in the shape of an order from American President Lines, a leading US operator of container vessels on the Pacific, for three new ships. They will be built at the large Kiel yard of Howaldtswerke-Deutsche Werft (HDW), which is now down to its last three merchant ships.

APL says it chose the German yard because of price, quality and capacity. Thus, ironically, it seems as if the very absence of work was a factor in persuading the company to opt for a German yard and thus virtually guarantee a fairly quick delivery.

As part of the extensive reorganisation that has occurred in the German industry, HDW's operations are now concentrated entirely in Kiel. Blohm and Voos, another shipbuilder, took over all the HDW repair and machine tool operations in Hamburg.

Recent months have brought a string of announcements from yards trying to stave off bankruptcy or reluctantly seeing no alternative. Nobiskrug and Harburst are two companies which have virtually given up.

Andrew Fisher

WEST GERMANY'S TOP 10 COMPANIES

Rank	Company	Sector	1985 Turnover DMm	% change over 1984	Employees end 1985	% change over 1984
1	Siemens	Electricals	54,616	19.2	348,000	6.1
2	VW	Vehicles	52,502	15.0	259,047	8.7
3	Daimler Benz	Vehicles	52,409	20.5	231,077	8.7
4	Veba	Energy/oil/chemicals	47,523	-2.2	68,689	-10.6
5	BASF	Chemicals	46,610	9.4	130,173	12.4
6	Bayer	Chemicals	45,926	6.7	176,880	0.8
7	Hoechst	Chemicals	42,722	3.1	180,561	1.5
8	Thyssen	Steel/enginnering	34,784	7.3	127,969	-3.7
9	RWE	Energy	28,426	6.2	70,249	-0.2
10	Ruhrkohle	Minng	22,515	0.4	133,157	-2.0

Source: Die Zeit.

• Daimler Benz, on full consolidated results, is now Germany's largest company, including AEG, taken over last year, Daimler's 1986 turnover will be close to DM 65bn.

Winners and losers in share price movements

Winners	Price at 30.12.85 DM	Price at 30.6.86 DM	% change	Losers	Price at 30.12.85 DM	Price at 30.6.86 DM	% change
Hannover Papier	136.5	230.0	68.5	Kali und Salz	291.0	235.0	-19.2
Carl-Linné Werke	165.0	271.8	64.7	Ausschlag-Werke	483.8	390.0	-19.4
PWA	149.0	227.8	52.3	Ritgerswerke	421.0	335.0	-20.4
Heidelberger Zement	415.0	628.0	51.3	Porsche VZ	1,289.0	1,016.0	-21.2
Babe	159.5	241.0	51.1	Colonia Versicherung	950.0	740.0	-22.1
Zanders	225.0	336.0	49.3	Otavi Niemen	135.5	104.8	-22.7
Andreas-Werke Zahn	146.0	200.0	37.9	Preussag	255.0	195.0	-23.5
Grünig & Hartmann	124.0	167.0	34.7	Klöckner-Horn, Dentz	310.0	236.0	-23.9
Canada	640.0	851.0	33.0	Rheinmetall Berlin	508.0	384.5	-24.3
Brüggerwerk VZ	338.0	441.0	31.6	Mannesmann	283.8	209.0	-26.3

Source: Industrielle Magazine.

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WEST GERMANY 10

Trade Union Movement

Members openly taking sides



Franz Steinkühler holds a large nut-cracker given to him as a goodwill gesture by delegates after he was nominated chairman of the German metal workers' union, I. G. Metall

ALONG WITH most governments in trouble with their trade unions, the one in West Germany likes to behave as if its current difficulties are with the union leadership only and not with the mass of union members who it not surprisingly depicts as reasonable people who want nothing more than a quiet, secure life.

Chancellor Helmut Kohl's Government, in fact, often reminds its opponents that more than half the country's trade union members voted for it in the last election. It is a fair warning but one that the unions have decided not to listen to.

Mr Ernst Breit, the DGB chairman, called on union members late last month to "vote for candidates who clearly pursue policies beneficial to workers" and their families. He left his audience in Düsseldorf in no doubt that he was talking about the SPD.

The Christian Democrat (CDU)-led Government, he said, had failed to create jobs, had undermined workers rights and was attacking the social security system. To this, Mr Heiner Geissler, secretary general of the CDU, remarks simply that the DGB is being very silly because it is backing an almost certain loser in the SPD. This may be true, but it does not hurry the fact that a fundamental change has come over the once calm and fruitful relationship between German unions, employers and governments of whatever colour.

Where there was consensus there seems, since the Kohl Government came to power in late 1982, to be conflict. The unions feel that the Government has decided to undo many of the "rights" which they won in the post-war period—equal representation on the supervisory boards of big companies and liberal strike laws.

Indeed, the Government has made it more difficult to strike and be paid welfare benefit at the same time and there are forces in the coalition clamouring for agreements allowing for equal decision-making to be discontinued.

The Government is also under attack for failing to bring down

unemployment below 2m and for encouraging employment by making it easier for employers to hire and fire. But Mr Kohl and his ministers have been handed in the past few months the perfect club with which to beat back the union's political attack in the run-up to January—the sale, for DM 1 in September, of the union-owned Neue Heimat property group.

Neue Heimat is the biggest home-owner in western Europe and by the time the unions sold its 190,000 homes it had liabilities of DM 17bn.

The Government has since been able to meet every attack by incensed union officials with the mere reference to Neue Heimat and the thousands of worker-tenants it sold into the private sector without a word of consultation. The unions are not popular in Germany right now and not even the SPD is entirely comfortable with their "promises" of support.

But Neue Heimat will eventually go away. The union leadership has taken a leaf out of Mr Kohl's book and is trying to ignore a troublesome issue until it disappears. This always works for the Chancellor and it will eventually leave the Government still facing sour unions.

The test will come early next year when the country's biggest union, the metalworker's body I. G. Metall, revives its campaign for the German working week to be cut to 35 hours. I. G. Metall led a seven-week strike in the summer of 1984 for a shorter working week that crippled the

car industry and achieved a cut from 40 hours to an average 38.5 hours.

That strike did enduring damage to relations with the Government and with employers. As a result, Bonn has tightened up the strike laws but has, in the process, united the unions around the concept of shorter working time as the most effective way to create new jobs in a way that they never were during the 1984 strike.

What happens now will be a test of whether the union leadership, especially that of I. G. Metall, can carry its members with it into what could erupt into another bitter dispute or whether the Government is right about union membership and leadership moving in separate orbits.

A great deal will fall upon the shoulders of one Franz Steinkühler, 49, newly-elected leader of I. G. Metall and an experienced strike leader. He is passionate about the 35-hour week, though some of his colleagues fear that his willingness to discuss flexible working practices within that time limit might lead him to compromise with employers.

Steinkühler will, inevitably, compromise. As he says, that is what negotiating is about but the many business leaders who dismiss him as an armchair radical are probably wrong. He is charismatic and popular and has absolutely nothing to lose by pushing both employers and Government to their limits.

Peter Bruce.

PROFILE: ERNST BREIT, head of the Trade Union Federation



Ernst Breit: haunted once more by the Neue Heimat affair

Problems will not go away

ERNST BREIT used to support nuclear power—just.

"As much as we really need," he used to say, "but for God's sake no more." That was before Chernobyl changed everything. At the end of last May, as head of the German Trade Union Federation (DGB), he brought the 17 unions and 7m members under the DGB umbrella to a dramatic and not altogether painless decision—to press Bonn and whoever is in power there to get West Germany out of nuclear power as soon as possible.

That, of course, is an elastic demand but it meant taking along some of the most conservative unions in Western Europe including a big one whose members work in nuclear power stations. Breit was not forced to push for an abandonment of previous DGB policy—in the four years since he was elected president he has undergone a dramatic political metamorphosis.

He was a popular compromise candidate in 1982 when the unions, hammered by the revelation of corruption amongst their high officials and the DGB-owned housing group, Neue Heimat, needed someone above moral reproach to be their titular head.

A Social Democrat (SPD) supporter and former white collar postal worker, Breit, now 62, quickly had to acclimatise himself to a new Government—conservative and hostile to what it called the "inflexibilities" of the labour market.

He was, like many leaders of individual unions (who are the real power brokers in the DGB) left standing by the country's biggest union, the I. G. Metall when it led a seven-week strike for a shorter working week in 1984 but as the Government and employers have tried to respond with even tougher measures to that strike so Breit has come out of his shell and emerged as a real leader.

It is hard to be rude to Chancellor Helmut Kohl, the thickness of whose skin would be the envy of any politician, but Breit has managed to do it a number of times in front of the television cameras, proving that simply to hesitate before shaking hands on camera is a devastating rebuff. The DGB unions voted him into office in May for another four years by a huge majority.

Tall, and with a slight stoop, as he has become (relatively) radicalised he has become even more laconic. Soon after the Kohl Government came to power the new Labour Minister, Mr Norbert Blüm, suggested airily that the unions might consider a six-month wage freeze.

Breit, a stickler for detail at all times, immediately responded on hearing of the request by asking, with the hint of a sneer, how many jobs such a move would create and said no more.

Perhaps because of his wise and moderate air, what Breit does best is to create the illusion that the unions in the DGB are united, particularly about planned new efforts to cut the working week. The better he gets at it, the less of an illusion it becomes because the bad feeling that arose in 1984 between union leaders that supported the shorter hours strike and those that publicly opposed it seems to have been buried. And it is very hard for the Government to depict Breit as a demon.

Or at least it has been until now. Just as he leads the unions into an election on the side of one party (the SPD) for the first time, the Neue Heimat affair has come back to haunt him and the DGB. Allegations of corruption in the way profits from Neue Heimat were used run very deep and it is not certain yet that Breit will escape unscathed.

Sheila Jones

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The leadership of the West German Social Democratic Party (SPD) was confirmed at the party congress earlier this year. Former Chancellor Willy Brandt (right) was re-elected as chairman for a further two years, while chancellorship candidate Johannes Rau (centre) and parliamentary leader, Hans-Jochen Vogel (left) were re-affirmed as joint deputy chairmen

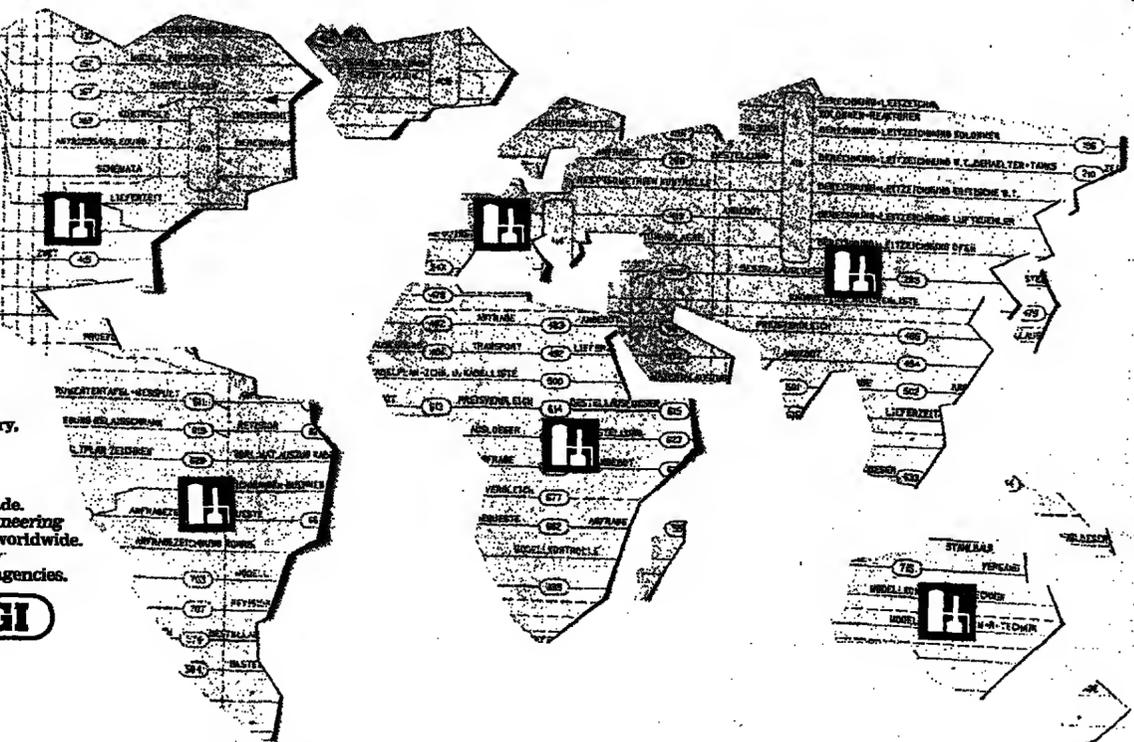
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Agriculture

Small farmers flex their voting muscle

AS West Germany slides towards a general election in January next year, it must be very tempting for the nation's farmers to find a pressing reason why they need to be graced with yet another subsidy. They do very well already.

About 42 per cent of Germany's 758,300 farms are run by part-time farmers but of those full-timers, 70 per cent pay no more than DM 100 in income tax a year. The state and the European Community subsidise each German farm with an average DM 43,000 a year, roughly DM 2,600 per hectare.

German farms are on the whole, very small and therefore not very profitable—especially those in the south, Bavaria, and Baden-Württemberg, where Federal and local government policies have for years been to make it as attractive as possible for families to stay on the land. That remains fundamental to Chancellor Helmut Kohl's coalition but it means throwing money at the farmers who have learned that in election years politicians become even more generous.

This year started off particularly well for the farmers when at the beginning of March the ruling Christian Democrat (CDU)—Mr Kohl's party government in the northern state of Schleswig-Holstein suffered major losses in communal elections.

One of the reasons was thought to have been the failure of farmers to go to the polls. Abstention is the German farmer's main weapon against conservative governments. When Social

Democrats are in power they go to the polls and usually vote against them.

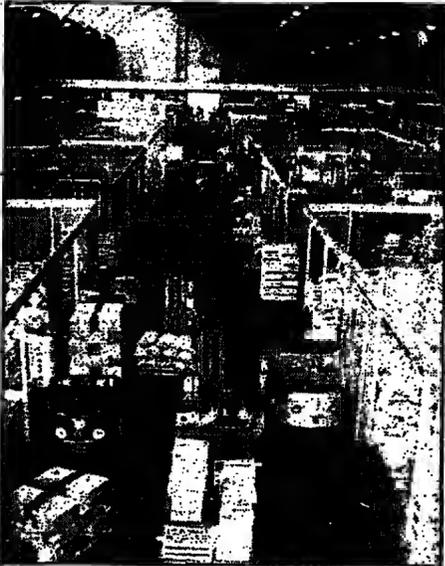
Alarm bells soon began to ring because there were state elections scheduled in Lower Saxony and Bavaria before the General Election. Also, the farm price negotiations in April were looming. Bonn knew it would have its work cut out to prevent any prices being cut and the devaluation of the French Franc in the European Monetary System (EMS) had made German farmers very anxious about being at a potential price disadvantage.

Then the Chernobyl nuclear reactor went out of control and sent a radioactive cloud scudding over Europe, terrifying German farmers (and the general public) who for a while found it impossible to even produce for fear it might have been contaminated.

The net result of all this is that Bonn has spent virtually the entire year making promises of more money to farmers, finding, despite an apparent commitment to fiscal discipline, around DM 1bn in aid to calm the farmers down.

West Germany may be the most powerful and richest economy in Europe but that has not stopped more than half its 11m hectares of farmland from being declared "disadvantaged areas" and therefore requiring substantial Federal and Community aid.

Farmers make up 10 per cent of the national vote, which means that German politicians are able to defend apparent contradictions like these with absolute straight faces. And



The wholesale vegetable market in Hamburg. Meanwhile, the nation's farmers and food producers are tempted to seek further subsidies as the general election approaches.

even then, the farmers are an intractable lot.

No-one looks after them with greater enthusiasm than Mr Franz Josef Strauss, the Bavarian Premier—he even fought for and won the right to place a member of his own party, Mr Ignaz Kiesche, in Mr Kohl's Cabinet as Agriculture Minister—but it turns out that Mr Strauss's highest losses in October's Bavarian election were in the rural areas, which voted in alarmingly high proportions for the far-right-wing Republican Party.

In a two-party political system, a 10 per cent voting block might be ignorable. With four

main parties fighting in January, and the margins between the biggest ones measurable only in single percentage points, and the smaller ones living within one or two points each of the 5 per cent hurdle they need to stay in Parliament and perhaps make or break coalitions, the farmers know they are very powerful.

Peter Bruce

The Steel Industry

Concern over EEC quotas policy

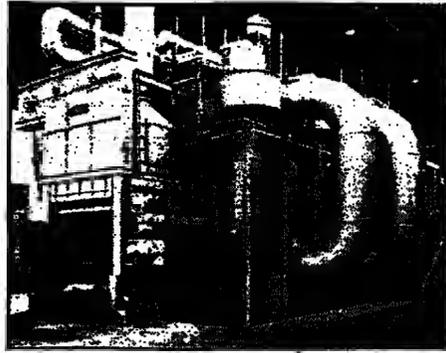
BY NOW West Germany's steelmakers are well aware of the fact that after a brief respite from the doldrums in 1984 and 1985 their industry is facing yet another threat to profitability.

In the first eight months of 1986, deliveries from German steelworks fell 4 per cent and incoming orders were down 8 per cent. Overall production will fall to barely 37.5m tonnes this year from 40.5m tonnes in 1985. As the D-mark goes from strength to strength steel imports into the country have so far this year risen 13 per cent—with imports from outside the European Community rising 25 per cent—and now satisfy some 40 per cent of domestic steel demand.

"The German market," cried one newspaper recently, "has once again become a dumping ground for subsidised imported steel." This is probably true, but a 40 per cent import penetration of a home market is not that unusual in the EEC.

What worries producers more than the present level of imports is the threat that European Commission, the EEC's administrative organ, will lift production quotas on a range of key so-called long products next year. The German fear is that producers more heavily subsidised than they will simply pour into overproduction of these steels and ruin an already delicate market in them.

Already this year two steel price rises have failed to take hold properly in the Community and as the D-mark appreciates not only against its neighbours, chiefly France, but also against the US dollar (a complete reversal



The West German steel industry: faced with falling orders and further threats to profitability.

of the situation two years ago which, understandably, was heavily exploited through a dramatic rise in sales to the US), a large scale liberalisation of the European market could have grim consequences.

German producers, notably Thyssen, Krupp, Hoesch and Klöckner are different from the rest of their European competitors in that they are in the private sector and not nearly as highly subsidised as, say, the French and Italian industries. Nevertheless, there has been help from the state in the past, which is now giving rise to yet another headache for them as they head for the wrong end of

their business cycle.

Bonn is demanding the repayment from the steel industry of some DM 1.8bn it has handed out in subsidy designed to help the industry restructure and trim itself down to match capacity with the requirements of the market. The producers have been trying to persuade the Government to hold back on these demands and point out often that competitors have not been asked by their governments to pay back aid.

As that dispute runs, with the Finance Ministry in Bonn anxious for any funds which would help it manage its tight fiscal constraints, steel produc-

ers are also complaining that the state-owned railway, the Bundesbahn, discriminates against them when carrying steel inland.

It is said to cost around DM 12 to transport by rail a tonne of steel from Antwerp in Belgium to Mannheim and around DM 21 to carry the same amount from Duisburg in the Ruhr to Mannheim even though the journey is considerably shorter. The Bundesbahn, say producers, is exploiting its domestic rail monopoly.

A further concern for the major producers is the plight of Arbed Saarstahl, a producer of long products but one with a colourful recent history of losses and debt. Saarstahl alone has been subsidised to the tune of DM 3bn. Earlier this year though the Bonn and the Saar state government appeared to have reached agreement on scrapping the producers' debt.

The Saar Government, in effect, took Saarstahl over and the idea then was to gradually merge it with another nearby steelmaker, Dillinger, which is owned by the nationalised French group, Sacilor. Dillinger were to have begun placing their own men in Saarstahl's management but the process appears to have run into trouble. Sacilor is said to be showing little interest in Saarstahl as it struggles with its own problems.

It may thus fall to the big German producers to revive proposals under which they might have been prepared a year ago to buy Saarstahl. But a year ago they were probably feeling richer than they do now.

Peter Bruce

Profile: The Facsimile Market

Relaxation boosts sales

THE TELECOMMUNICATIONS equipment market in West Germany is like no other. It changes, ignores perfectly sensible and not even very sophisticated technologies and then suddenly goes off at a tangent.

This has just happened to the facsimile machine. Some 25,000 are expected to be sold this year, more than double the 1985 figure which, in itself, was a considerable improvement on 1984.

There are only around 50,000 "fax" machines in West Germany anyway, a measly 2 per cent of the world market. But with German businesses having developed a seemingly large appetite for the devices, market experts are predicting substantial price falls from the present range of between DM 7,500 and DM 15,000 for a machine.

Two things appear to account for this sudden surge. First, the so-called "group 3" machines now on the German market are a much more attractive product, being both smaller, often cheaper, and much quicker than

the bulky old devices that were being foisted on customers five years ago.

The second and most important reason for the surge in "fax" sales though has been a dramatic change in the marketing climate. The Bundespost, the state-owned telecommunications monopoly which has a poor name to relax its hold on equipment that can be plugged into its lines.

The Bundespost leases out fax machines and used to reserve 20 per cent of the West German market for itself. But as it comes under pressure to deregulate, the monopoly has shown itself willing to surrender fringe markets like fax and modems. Officials say the Bundespost now has only 10 per cent of fax installations.

This has encouraged producers of the machines, including Panasonic, Canon, Toshiba and, through West German agents like the Hoechst chemicals group, Ricoh (the only non-Japanese make on the market is

French) to heavily increase their sales efforts.

The sales have come so fast that there is now a gap of nearly 20,000 units between "expert" estimates of how many machines there are in the country and the Bundespost's official tally at the end of September of around 33,000.

A black "fax" market of sorts has developed in West Germany, with some buyers not reporting, as they are supposed to, the connection of machines to the Bundespost and saving on connection fees. One recent buyer tells, on the other hand, of being offered imported machines at discounts of up to 50 per cent.

If the Bundespost is concerned at losing rental and connection fees it shows little sign of doing anything about it. Because it is already partly committed to liberalising markets for other equipment at the end of its lines, to clamp down too heavily on the fax machine market would probably be bad politics.

Peter Bruce

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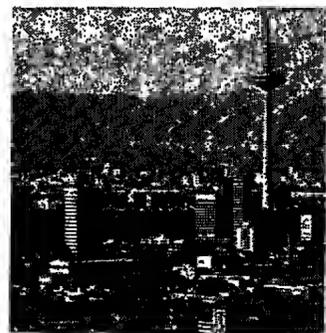


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WEST GERMANY 12

The Advertising Industry

Print media sets the pace

THE West German advertising industry is like a fat man in a tight suit. It has no intention of losing weight, in spite of its restrictive garb. In fact, all the signs point to rapid expansion, at least in some areas.

Unlike its counterparts in most of Western Europe and in the US, the German advertising industry is heavily weighted towards the print media. The country's daily and Sunday newspapers last year grabbed more than half of the industry's DM 15.53bn market, while television advertising accounted for less than a tenth—fractionally more than magazines and considerably less than the direct mailing sector.

The market has been shaped by history, not desire. The decentralisation of the German broadcasting network after the war paved the way for a regional television system that has proved highly resistant to change and is subject to the differing regulations of the individual Länder.

In addition, a post-war fear of media manipulation has produced what the advertising industry sees as heavy-handed political regulation.

While print advertising is relatively free from regulation, a forest of rules, most of them relating to quantity, governs television. The least popular of those rules, known in the trade as the "20-minute corset," restricts television advertising to 20 minutes each day.

TV advertising must be crammed in between 6 pm and 8 pm. None are allowed on Sundays or on national holidays. The adverts are shown in blocks of five minutes between programmes and are often listed in TV guides.

"It's not even a break, it's a programme," complains Mr Willi Schalk, head of TEAM-BBDO, West Germany's biggest advertising agency. "You can see it in your programme guide. From 6.40 pm until 6.45 pm, there's going to be five minutes of advertising. You can walk away and do something useful; walk the dog, get a bottle of beer, make a cup of tea."

"The only reason you would carry on sitting there is that either you are sick and can't walk, or you are too lazy to get up, or you have a special interest in advertising, or you are a kid. Children tend to watch television adverts with as much interest as they watch the programmes."

Mr Schalk believes the restrictions have not only stifled the development of television advertising in Germany, producing a poorer quality product, but have also hampered the growth of the advertising market as a whole.

"Wherever you have free and unlimited television advertising, not only is the percentage of total advertising spent on television significantly higher, but also, advertising in total, as a

Top 20 advertising agencies

Ranking in 1985

Agency	Turnover in DM m	% change over 1984
1 Team BBDO	481.0	+ 6.9
2intas Deutschland	444.6	+ 2.2
3 J. Walter Thompson	434.6	+ 4.7
4 McCann-Erickson	429.2	+24.1
5 Ogilvy & Mather	323.7	+ 8.7
6 Grey Düsseldorf	294.8	+ 4.4
7 Young & Rubicam	276.8	+ 2.5
8 Doyle Dane Bernbach	254.1	+24.5
9 R. W. Eggert	204.3	—
10 Wilkens Ayer	202.1	—
11 DMM/Advertising & B&B	198.1	+32.2
12 Saatchi & Saatchi Compton	173.6	+10.2
13 Lärzer Conrad & Lee Burnett	170.0	+ 2.4
14 G&K	142.1	+ 5.1
15 Publicis Intermarco & Partner	137.3	+17.7
16 Hey Neelham & Partner	131.0	+ 6.7
17 The Bates	126.1	+16.8
18 Scholz & Friends	126.0	+19.7
19 TBWA	121.7	+14.4
20 Baums Mang & Zimmermann	121.7	—

Source: Industriemagazin

'Restrictions have not only stifled the development of television advertising in West Germany, producing a poorer-quality product, but have also hampered the growth of the advertising market as a whole.'

percentage of GNP, is higher," he says.

"A fundamental question is, should television be free enterprise and competitive, or not? Television should be as free as print. In print we have completely free enterprise and it shows, both in terms of the quantity and the quality of the market."

Mr Schalk, who divides his time between New York and Düsseldorf, admits that the frequency of television adverts and messages from our sponsor "irritate the US but argues that the gap in relative spending on advertising between the two countries (the equivalent of around 2.5 per cent of GNP in the US this year compared with 0.8 per cent in Germany) proves that the German industry is nowhere near its full market potential.

He believes, though, that the West German industry, which is "going to see significant changes by the end of the decade" with the growth of private television, will have to proceed with caution.

"We need to guide the process a bit. We can't go from complete regulation and control to absolute freedom overnight, and we won't," he adds.

The market has already begun to change, and gets more confusing every day, think we will have a somewhat chaotic development; two steps forward and one step backward. There will be a lot of chaos on the way

and disappointment. But it will change."

The standard of television advertising in West Germany now is probably comparable with the best of American TV commercials a decade or so ago, while newspaper and magazine adverts rival the best in the world. The industry itself admits that its televised product has a long way to go.

German television adverts need to be "more entertaining, and less boring," says Mr Schalk. "In future, when commercials are competing with programmes, instead of with each other in five minute blocks, the task will be to hold the viewer's attention in between programmes for, say, a 90 second commercial break."

Meanwhile, the local industry is confident it will be able to take advantage, without being squeezed out by the global multinationals, of the growth in air space and audience figures provided by cable and satellite TV—once the increasing number of private television channels in Germany forces deregulation.

Sheila-Jones

The two small and struggling private stations currently broadcasting on SAT-1 are free of the restrictions imposed on the country's public corporations.

The advertising industry reckons that if GNP in Germany grows by 3 per cent this year, it can bank on a 6 per cent rise in overall advertising turnover (compared with a rise of 2.8 per cent in 1985), taking the figure for 1986 above DM 4.5bn.

The rate of growth should be much more rapid over the next five years or so, before stabilising on at the higher level, with the television sector taking the lion's share of the increase.

The print sector is unlikely to suffer though, if the industry's prediction of a considerably larger advertising cake, after deregulation, is fulfilled.

Radio advertising, which gamely clings to less than 3 per cent of the market, might enjoy some knock-on benefits from the deregulation of television too.

As for any national aversion to a more commercialised world, Mr Schalk believes that opinions in Germany are changing too. Recently he addressed a group of 400 students at Cologne University on the future of television in West Germany and what it meant for advertising.

He showed "quite a vast number" of commercials from the US, Australia, Britain and New Zealand. At the end of an hour-long talk, Mr Schalk asked whether they wanted to see more commercials on their own television, and answer "yes". They chose the commercials.

"When we talked afterwards there was not one critical remark about advertising," he says. "The last time I spoke at a similar event was eight or nine years ago in Munich, and they really grilled me. Students then were more than sceptical, they were almost aggressively against advertising and its role. That's completely changed," he says.

The latest cinema craze in West Germany is to watch an hour-and-a-half's worth of adverts strung together to provide an evening's entertainment. The latest film releases are now competing in cinemas all over the country with the Cannes Reel; showcase collections of the best of television adverts from all over the world. And people are paying—full cinema rates—to see them.

Sheila-Jones



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Broadcasting Media

Cable projects under fire

MOST WEST GERMANS who tried to follow television coverage of tennis star Boris Becker's progress through the US Open a few months ago would have been puzzled, infuriated even, not to find it on the only two channels that reach the entire country.

This is because it was being shown on SAT-1, a new, and not altogether successful, cable network which, along with a Luxembourg West German joint venture, RTL Plus, forms the vanguard of a much promised but very hesitant revolution in Germany's media.

They are the first privately-owned television operations to operate from West German soil since the Allies reformed radically restructured broadcasting in the country after the war.

The idea then was to decentralise control of broadcasting and so limit the possibility of a central system being used to take propaganda to the nation. Responsibility for making laws regulating broadcasting was placed with the country's individual states.

The states, Länder, each have their own (or in the case of smaller ones they sometimes share) radio corporation, usually with three programmes, and a television authority which broadcasts a regional programme and contributes material to ARD, First German Television, which they collectively own. The states also finance a second public TV channel, ZDF.

The reason that Boris Becker at the US Open was to be found only on cable has a largely political background—for years, the conservative West German political parties believed the public broadcasting networks are fundamentally left-wing. They still do believe this, but tampering with the broadcasting media, or encouraging competition to it, has been a tricky thing to do in the post-Nazi era.

The Federal Government is perfectly within its rights though to lay cable, build transmitters and launch satellites. When Chancellor Helmut Kohl

came to power in late 1982 West Germany lagged well behind in cable and other digital networks and, citing this, his controversial Posts Minister, Mr Christian Schwarz-Schilling, quickly began to implement a far-reaching and very expensive programme to "cable-up" the country and so present the states with at least a technical *fait accompli*.

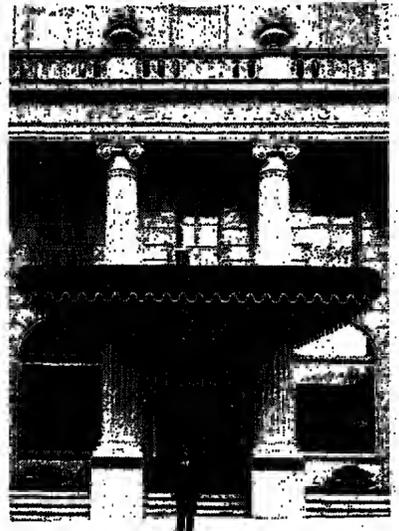
This programme, now costing about DM 1.5bn a year, is regularly assailed by the Government's own auditors as reckless and "conceptless"—there being little chance of it ever paying for itself—but some 5m households are now capable of getting cable programmes although the majority do not because in an effort to pay for the programme, connection charges have rocketed.

Having put down the cable though—and continuing to do so at about 2m households a year—the Government was then able to turn to the states controlled by its own people and encourage them to make laws in their states (like Bavaria, Baden-Württemberg, Rheinland-Pfalz and Lower Saxony) to accommodate privately owned cable networks.

The effects of a much liberalised broadcasting regime in West Germany are difficult to predict. So far, the ARD and ZDF have shown little inclination to alter their programming in the face of market rivalry, much more trivial, but much less tedious competition. Viewers are not demanding change either.

Whether more media also means more media concerns is also questionable. Bertelsmann, the giant publishing house, has a 40 per cent stake in RTL Plus and the conservative Axel Springer group has a big stake in SAT-1. With both channels losing money, there is already talk of them merging, meaning an even greater concentration of media power with which the SPD will just have to learn to live.

Peter Bruce



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FT correspondents based in West Germany give their impressions of three important cities.

Divided city prepares to celebrate

BERLIN

ALONG WITH a zoo in each half of the divided city as well as two state opera houses and two city governments, Berlin is now gearing up for dual celebrations next year of its 750th anniversary.

Berliners hardly dare to hope that the unprecedented festivities on both sides of the wall will not be repeated when the city marks its 800th anniversary. A warm rain of money has fallen on both parts of Berlin from their respective benefactors—the West German and East German governments. The most conspicuous outcome is that the grimy facades of thousands of neglected buildings have been cleaned in both halves of the city.

In the competition to restore historical buildings destroyed in the last war, East Berlin has a definite advantage as it straddles the heart of old Berlin. Apart from the main boulevard, which was restored in the post-war years, ugly prefabricated apartment buildings rose over the flat centre of pre-war Berlin. The authorities have tried to do amends by partially restoring the oldest corner of Berlin around the Nikolaikirche, which is to become a city museum.

East Berlin's third luxury hotel is nearing completion in the Friedrichstrasse, pre-war Berlin's throbbing entertainment centre, which is to be rebuilt as a shopping street. Westerners entering East Berlin at Checkpoint Charlie in Friedrichstrasse will no longer be transported, as if in a time machine, back to the early 1950s.

In addition to erecting plush hotels for westerners, East Berlin is also building flats at breakfast speed for its expanding population. By 1990, East Berlin will have 1.5m inhabitants, (compared with a shrinking 1.5m in West Berlin). The East German authorities have pledged that by 1990 every adult East Berliner will have his own apartment.

In the process, however, towns and cities throughout East Germany will have been deprived of 200,000 buildings workers annually after reassignment to the capital.

A recent remark by Nenes Deutschland, the main East German Communist Party newspaper, caused even the most hardened of ideologists to cringe. All in all, Berlin is experiencing the best years in its history, the party daily paper proclaimed.

Despite the material benefits of life in East Berlin, compared with the rest of East Germany, they are far outweighed by the physical and psychological drawbacks of living close to the East-West dividing line without being able to cross it. East Berlin physicians speak of a high

incidence of Wall-induced neuroses in the populace.

East Germans who come to the capital to make a career in government or the arts discover soon enough that the political pressures are far greater than in the provinces. The further one travels in East Germany, away from East Berlin, the more normal life becomes.

Undoubtedly, some of the tension will be relieved by the growing number of East Berliners who are being allowed to visit relatives and friends in the West. At the same time, however, this Westward trickle of visitors increases the frustration of the majority of East Berliners who are not permitted to visit the West.

The main problem in West Berlin is not one of confinement but rather that of halting a economic decline. Granted, the city has attracted a growing number of high tech companies of which East Berlin's planners can only dream. But West Berlin's unemployment rate has jumped to 10.7 per cent, 2 per cent higher than in West Germany.

At the same time, manufacturers in West Berlin complain of a shortage of skilled workers whom they have to lure from West Germany. In order to help celebrate Berlin's 750th anniversary, the heads of state of the three allied powers represented in West Berlin—Queen Elizabeth II, President Francois Mitterrand and President Reagan—are to visit the city, East Germany, for its part, caused maximum consternation in the West by inviting the Christian Democrat and Governing Mayor of West Berlin, Mr Eberhard Diepgen, to the main East Berlin ceremony to mark Berlin's founding. The East German leader, Mr Erich Honecker, cleverly extended the invitation in his role as chairman of the preparatory committee for the anniversary—and not as president of East Germany.

The self-assured young West Berlin mayor, whose administration has been wracked by embarrassing bribery scandals, quickly spread word that he would accept the invitation after consulting Bonn and the Western allies. Mr Diepgen is eager to launch a new phase of Ostpolitik from Berlin in order to take the wind out of the sails of the opposition Social Democrats who want to go a good deal further.

The Western allies, who have the final word in all matters pertaining to West Berlin, were plainly misled by Mr Diepgen's enthusiasm. They let it be known that his acceptance of the invitation might be regarded as Western recognition that over 100 years ago, the capital of East Germany. This, however, would undermine the allied position of a continued four power responsibility for all of Berlin.

The allied reservations were



Refugees from the Middle East, India and Pakistan line up at the Central Office for Asylum in West Berlin following the arrival recently via East Berlin's Schoenefeld airport of more than 1,000 asylum-seekers. East Germany announced in September that it would stop issuing transit visas unless refugees had entry permits for their final destinations.

expressed by President Mitterrand during Mr Diepgen's visit to Paris earlier this month when the president spoke of the need to carefully examine the "possibilities and dangers" of attending the East Berlin ceremony. Much as they might like to both Berliners are unable to avoid continual confrontation with the recent traumatic plot in West Berlin, city officials belatedly decided to build a monument (on the raised site of former Gestapo headquarters) to the victims of the Nazi secret police. There was acute embarrassment, however, when excavators hit actual remains of the building—its white-tiled basement torture rooms. In East Berlin, a decision was reached to rebuild the gutted main Synagogue, although only a few hundred remaining elderly Jews remained in the East.

West Berlin's 6,000-member Jewish community was bolstered by several thousand Soviet Jews who chose to live in Berlin in the early 1980s, rather than move to Israel. Sixty-six per cent of West Berliners who responded to a recent survey said they were in favour of returning a street in the borough of Spandau to its original name, Judenstrasse (Jew's Street), which had been changed under the Nazis.

Interestingly, the presence of Hitler's deputy, Rudolf Hess, in nearby Spandau prison is largely ignored by West Berliners.

West Berlin's Justice Chief caused a stir last month by noting that the books were now

“regrettably” closed on another infamous Nazi institution, the People's Court. The court handed down 5,242 death sentences, mainly to German opponents of the regime such as the men involved in the 1944 plot to kill Hitler. None of the judges ever received binding sentences for their crimes—and the last case, against a 77-year-old former state prosecutor, was recently dropped for lack of evidence that he acted out of “hate motives.”

Leslie Collitt

'Boring' capital's hidden charms

IT IS not fashionable to like Bonn—a city where politicians, officials, journalists—and, probably, also spies—are herded into grey buildings in a grey landscape,” says our correspondent, Peter Bruce, who gives here his own view of the city.

IT HAS become almost a ritual for new foreign and even German correspondents based here to write at least once during their tenure a “snide” article about it being Europe's smallest and most boring capital. How the best thing about it is the train to Munich and how it is so quiet at night they fold away the sidewalks.

I like Bonn, though it suffers, like every West German city, from the ludicrous practice of closing every shop everywhere at exactly 6.30 in the evening—but its charms, once one has overcome the embarrassment of being posted here, are seductive.

They have nothing to do with “culture.” I have never been to the opera, which they say can be very good. Whole orchestras, here by virtue of the Government paying millions in subsidy to make the capital a centre of the arts, have passed me by. I know where Beethoven's house is, but have never been inside.

The key factor about Bonn is its scale. It is a human place. The drive to work from Beuel, on the “wrong” side of the Rhine, takes 10 minutes. A rather disturbing bit of industry, a cement factory on my side of the river but a long way further up, appears to have closed because the German building industry slump and our most successful industries now seem to be the Haribo sweet factory and the local flag-making plant.

Working here is easy. Ministries are accessible and the people in them overwhelmingly friendly. Lunch in either Rohichen's or “Luigi” (properly known as the Isola d'Ischia) means eating, for very little money, probably the best Italian food outside the mother country. Chancellor Kohl is said to descend on Rohichen's every now and again, but I cannot con-



This, too, is the West German capital. Medieval houses in the suburb of Muffendorf.

firm this.

In the evening a dozen or so small, crowded pubs in and around Poppelsdorf make better halfway houses than anything I ever found in London. Besides, the beer is better in Bonn and it is amazing how quickly one comes around to the German view that beer with additives in it should never be allowed to enter the country.

Home in Beuel is on the banks of the Rhine, an almost fairy-tale stream that is never dull to look at, and for the price of a small rented flat in less attractive areas of Islington or Wandsworth I found a huge apartment with a roof terrace and a bathroom whose tiled floor gets warm in the winter.

I share Bonn with about 300,000 other people. Many of them live in a suburb called Bad Godesberg, to the south and which still likes to think of itself as a separate city. Bad Godesberg is where many of the government people and diplomats live, which is probably appropriate because it is said

that, when the Romans ran this part of the world, they made it a penal colony.

There are, thankfully, parts of Bonn (most of it, in fact, including Beuel) which have nothing to do with Government, which was imposed on them after the war. Very ordinary people live in the Altstadt and Tannenbusch and Duisdorf and Endenich and although they are probably secretly delighted now at living in a capital, they affect a healthy disdain for all things official. In fact, only the Government quarter, on the river and vaguely between Bonn centre and Bad Godesberg, lacks any character.

Here, politicians, officials, journalists, and, probably, spies, are herded together in grey buildings in a grey landscape. The only restaurant within walking distance is about as exciting inside as a car wash. Perhaps it will get better.

Unlike places like London and Paris, Bonn forces one to get out into the country. To write intelligently about indus-

try, culture and even politics a great deal of travel is necessary because the country is so heavily decentralised.

This is good, too, because it means simply having now and then to go to places like Munich and Hamburg (and Schweinfurt and Mannheim). For those weekends when the sheer peacefulness of Bonn becomes oppressive, Amsterdam and Brussels are two hours drive away. Cologne is 20 minutes by car, but it is over-rated.

I like Bonn. There are only a few tall buildings. There are so many police in it that crime, for a city even of its size, is very light. The airport is a 20 minute drive away too but I've never heard an aircraft landing or taking off.

Bonn can be very hot and sticky, but one of the myths about this place is that its climate makes you tired. That's rubbish. The beer makes you tired. The climate makes you drink.

Peter Bruce

Drab area spruced up

FRANKFURT has never been anyone's idea of a dream place in which to live. A few years ago, it was seen as an ugly down-at-heel city, beset with urban problems and possessing few redeeming features.

Not any longer. The city has smartened itself up—and gone heavily into debt in the process—to become an attractive, if not exactly beautiful, part of Germany. So much so that it came top of the list in a recent study carried out for the European Commission.

What put it there? And how could once dowdy and utilitarian Frankfurt presume to outrank even Munich, the southern city which stands for many people as the ultimate combination of urban charm, fun, culture and, of course, wealth?

Frankfurt's position at the top of the list is based on the basis of four measures used by researchers at the University of Reading to form a so-called problem indicator. These were: income per head, unemployment, net migration, and the supply of hotel rooms. The index was measured against population changes.

The first 20 of the 108 EEC cities included no less than 11 in West Germany, including Bonn, Duesseldorf, and Stuttgart. The bottom 20 had none. But the study concluded that only five German cities, including Frankfurt, had fewer problems than in 1971.

Though it is an architectural mishmash, having been rebuilt too hastily after the war, Frankfurt now has an imposing 20th-century skyline. The big banks' skyscrapers vie for attention, ranging from uninspired concrete slabs of Commerzbank to the shimmeringly beautiful ice blue glass-clad twin towers of Deutsche Bank, the mightiest financial institution in the country.

make hustling pedestrian areas, with a variety of open-air cafe, bar and restaurant life when the weather allows.

Standing proudly in the centre of the city is the Alte Oper, the neo-classic opera house which, just over 100 years ago, badly damaged in the last war, and reopened in 1981 after costly renovation. Today, it is a concert hall, operas being performed in a modern hall.

In Frankfurt, you can eat very well and expensively, or fairly well and moderately cheaply. Sachsenhausen, the main night life area in the city's south, near the River Main, is abuzz with activity at dark. More sophisticated are the small bars, some ch'chi and some just pleasant, in the smart Westend office and residential area or near the Alte Oper.

For those with a taste for the sordid, the streets leading from the main station cater for tastes of the flesh as avidly as Hamburg's Reeperbahn, if perhaps a shade less gaudily. A stone's throw from the business area, the Kaiserstrasse and its side streets which make up this red light area are in the shadow of the metallic Dresdner Bank tower, less easy on the eye than Deutsche's headquarters.

With only around 600,000 people, Frankfurt is hardly a metropolis like London, New York, or Tokyo, though it can be mentioned in the same breath as a financial centre. For those who live there, though, its man-made size is an attraction. It is a city that works, with a smoothly efficient, though hardly cheap, underground and suburban railway network, that links the centre with the rolling hills of the Taunus to the north and the woods to the south.

Because small West Berlin, Hamburg, Munich, Cologne and Essen all have more people—Frankfurt is a convenient place in which to do business. Practically everything and everyone is a short walk or taxi ride away.

Even the airport, big, confusing and seemingly with enough shops, bars and restaurants to support a small town, is not too far from town. It offers rapid connections to the rest of Germany, as well as easy access to the rest of the world.

Lying right in the centre of West Germany and northern Europe, Frankfurt is only a few hours away by car or train from major cities like Paris and Milan, or from the coastline of the north and the mountains in the south.

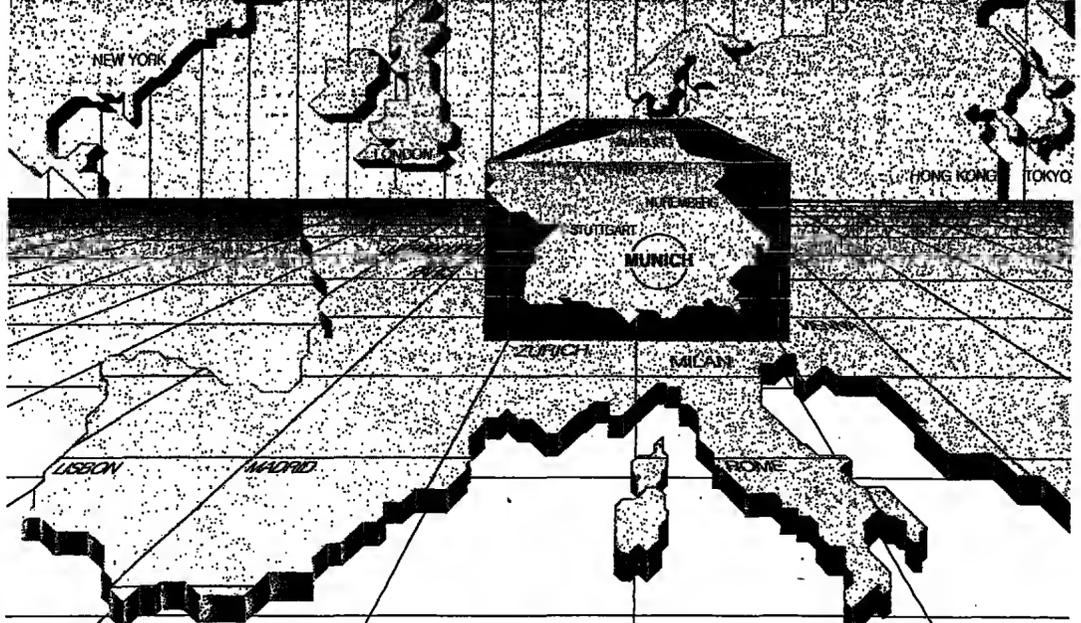
For those unmoved by what Frankfurt has to offer, escape is simple. Yet the city is developing a style of its own, though Robert Kane, the American travel writer, feels it lacks the eclect of, say, Munich or Cologne, having plumped instead for “solid comfort and substantial resources, cultural as well as commercial.”

Less hedonistic and showy than Munich, Frankfurt is more of a working, money-conscious, and commercially-minded city. Those of its inhabitants who come from the area, and have not migrated there for business reasons, can occasionally be startlingly abrupt or downright rude and officious.

Robert Kane, portraying Frankfurt in his lively book Germany at its Best, said Frankfurters themselves rarely help in illuminating the best parts and aspects of the city.

“Expatriates say it is the stolid personality of the native Hessian people that has a lot to do with this anything-but-ebullient city,” he says. Still, despite its problem of self-image, be it Frankfurt was worth more attention than many people, especially tourists, believed. As its financial markets develop and Germans continue to export, save and invest with their traditional energy and persistence, the city will certainly remain a vital part of one of the world's richest economies.

Andrew Fisher



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